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Pt. I

draft regional housing element

october 1977

part one

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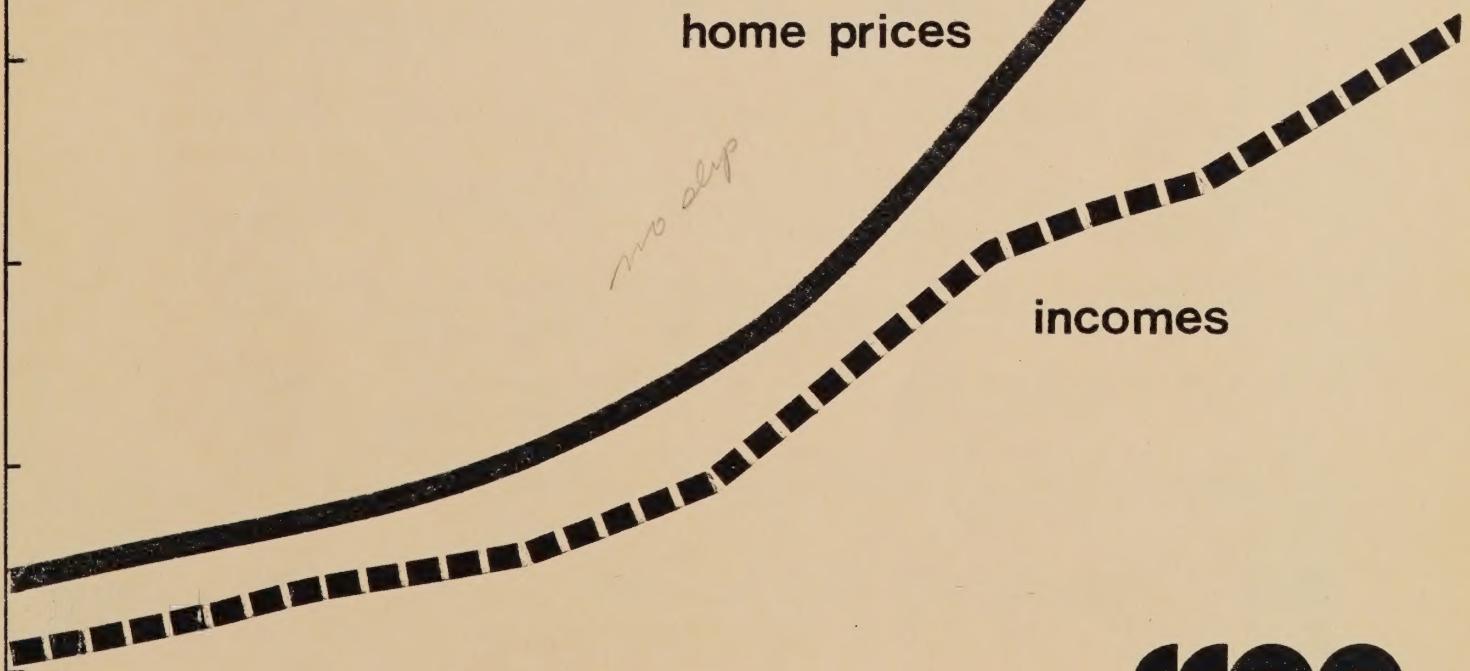
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UNIVERSITY OF CALIFORNIA

home prices

incomes

no dep



scag
SOUTHERN CALIFORNIA
ASSOCIATION OF GOVERNMENTS

OVERVIEW

SCAG's Regional Housing Element is one element of an evolving Regional Comprehensive Plan which takes its basic direction from SCAG's Regional Development Guide: Goals and Policies for Action (adopted by the SCAG General Assembly, 1973).

The purpose of the Regional Housing Element is to further the achievement of adopted Housing and Community Development goals contained in the Regional Development Guide in a timely manner. The element addresses this purpose by providing numerical assessments of current and forecast housing needs, and by providing a strategy and an implementation plan for meeting identified needs.

The assessment of current and forecast housing needs is built on two other parts of SCAG's Regional Development Guide: SCAG-76 Growth Forecast Policy (adopted December, 1975) and the Regional Housing Allocation Model (adopted April, 1977); and on the Urban Reinvestment Study (approved for distribution October, 1976). All three provide essential data defining and analyzing the region's housing needs and setting quantified goals. The Regional Housing Allocation Model is also a component of this Housing Element.

The strategy and the implementation plan build on adopted policies contained in the Regional Development Guide, the Regional Housing Allocation Model, and SCAG's First and Second Year Reviews of Title I, Housing and Community Development Block Grant Applications (adopted August, 1975, and November, 1976, respectively); and recommended policies contained in the Urban Reinvestment Study. They also build upon policies contained in the Regional Transportation Plan (adopted April 1977) and the Resource Conservation and Open Space Plan (adopted April, 1977). Further, they reflect new directions given by the state and federal governments on the role regional planning agencies should play in implementing national housing policy. (The California Statewide Housing Plan [May 1977] and recent Federal regulations both contain language directing regional planning agencies to include implementation plans in their Housing and Land-Use Elements.)

In the past, SCAG's role with regard to housing has included eight basic functions:

1. Development of regional housing goals and policies;
2. Data collection and analysis to determine both local and regional housing needs;
3. Development of the Regional Housing Allocation Model, a detailed and regularly updated needs-assessment which includes a "fair share" component used to assign responsibility for meeting a percentage of the region's low- and moderate-income housing needs to each jurisdiction;
4. Provision of technical assistance to local governments, state and federal agencies, and the private sector;
5. Review of local government/agency activities relative to the provision of low- and moderate-income housing opportunities and related services for their consistency with regional plans and policies;
6. Coordination of local government/agency activities relative to the provision of low- and moderate-income housing opportunities and related services to ensure, wherever possible, the most efficient use of federal and state moneys;
7. Allocation of special "bonus" (Section 8) housing assistance funds in accordance with a Housing Opportunities Plan based on the Regional Housing Allocation Model;
8. Review of proposed state and federal legislation and administrative regulations regarding housing, and community and economic development for their impact on regional housing problems.

The plan for implementing the Regional Housing Strategy contained in this Housing Element expands and further defines the scope of these functions and calls for SCAG to work with the private sector, as well as citizen groups and local governments, to solve regional housing problems.

It also calls for more active participation by local governments/agencies to solve both local and regional housing problems. Toward this end, an annotated compendium of housing programs, regulatory actions and tax alternatives available for use by local governments is provided under separate cover.

SCAG REGIONAL HOUSING ELEMENT

DRAFT

OCTOBER, 1977

THE PREPARATION OF THIS REPORT WAS FINANCED IN PART THROUGH A COMPREHENSIVE PLANNING GRANT FROM THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, UNDER THE PROVISIONS OF SECTION 701 OF THE HOUSING ACT OF 1954, AS AMENDED, AND THROUGH THE AUSPICES OF THE OFFICE OF PLANNING AND RESEARCH, STATE OF CALIFORNIA.

MANDATE

As specified by the Congress of the United States, the Department of Housing and Urban Development (HUD) has directed all states, local governments and areawide organizations utilizing Section 701 Comprehensive Planning Assistance funds to prepare a comprehensive plan which includes at least a land use element and a housing element. The plan and plan elements are to be updated every two years. The planning and implementation activities specified in the plan elements must be coordinated so as to be: 1) internally consistent, 2) coordinated with other functional elements of the comprehensive plan, and 3) consistent with functional and land use plans of other jurisdictions.

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SETTING

Everyone needs a place to live. There are nearly four million households and four million housing units in the SCAG region. We do not lack shelter for our population. However, nearly 700,000 "lower-income" households* -- one out of every six households in the region -- cannot find suitable shelter for 25% of their income or less. (The national standard for affordable housing payment is 25% or less of gross household income.) Over 428,000 -- one out of every ten -- live in seriously deteriorated units. And about 238,000 housing units are overcrowded (having more than one person per room). Further, most households who must overpay, or who live in unsound and/or overcrowded units, also live in deteriorated, poorly serviced, and/or unsafe neighborhoods.

The Assessment of Housing Needs, the Regional Housing Strategy, and the Implementation Plan presented in this report are all based on the finding that the affordability of housing is critical to its availability, its maintenance, and the quality of life in the region. When the cost of housing exceeds the ability of large portions of the population to afford it, two things happen. First, housing production drops below need, making housing scarcer and raising its price. Second, housing deterioration rises because more households cannot afford normal maintenance and because the existing stock is used more intensely, especially that portion occupied by low-income households forced to "double-up". Increased deterioration further increases the demand for existing sound units, and raises the price of housing still higher. Both these problems have occurred in the SCAG region. The Regional Housing Strategy and Implementation Plan are therefore directed at making housing more affordable by making enough units available to meet existing and forecast demand, by keeping the existing stock of sound or rehabilitable units in good repair to avoid the need for their costly replacement, and by meeting more housing consumers' demands through both price and income strategies.

The problem of providing sufficient housing of acceptable quality and cost is also very much a problem of distribution. The SCAG region today has vast areas where low- and moderate-income residents are concentrated. For a variety of reasons, these areas no longer attract sufficient public or private investment. The sound units in these areas are often not maintained or improved even by those who can afford to do so, because the owners will not be able to make back their investment, because they are discouraged at being left behind by support services and amenities, or because they are waiting for the area to be recycled. There are many areas where this process has just begun to happen.

Most newly developed areas of the region tend to provide only high-income housing, speeding the decline of older areas. These new areas draw away both public and private investment needed to maintain established areas. More important, they draw off the middle-and upper-income households who can afford to maintain the housing and who support shopping facilities and private amenities in the area, who keep market values at a level where investment is worthwhile, and who pay taxes to support the kind of public facilities and services that are needed.

* HUD defines "lower-income" households as those with incomes below 80% of the area's median. In this report the terms "lower-income" and "low- and moderate-income" are used interchangeably.

By drawing the wealth without also offering opportunities to lower-income households, the development of these upper-income communities further reduces the investment attraction of older areas, leading to more decline and a greater shortage of sound, affordable housing. The undue concentrations of single income-groups also cause severe social problems, aggravate crime problems, and contribute to major accessibility problems in terms of jobs, educational opportunities, recreation and health facilities, etc. All of these problems further impact the housing market by reducing the supply of housing that will be maintained and repaired, and exaggerating the cost of housing in good neighborhoods. In addition, solving these isolation problems is very costly and most of the solutions are paid for publicly, through income taxes which further reduce the dollars available for housing, and through property taxes, which elevate housing costs. Thus, the problem of distribution greatly affects the problems of quantity, quality, and cost. It has lead Congress to include as one of the primary goals of the 1974 Housing and Community Development Act:

"The reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income."

Because this distribution problem can only be addressed at a regional level, it is a major part of the SCAG Regional Housing Strategy and Implementation Plan.

This document looks at four issues, and addresses the needs of each through a goal and a set of objectives:

ISSUE 1 -- Coordination and Cooperation: The relationship between local governments within the region and private-sector interests relative to the provision of adequate housing for the region's households.

GOAL

LOCAL GOVERNMENTS SHOULD COORDINATE THEIR HOUSING, AND COMMUNITY AND ECONOMIC DEVELOPMENT ACTIVITIES, WITH ONE ANOTHER, AND INTERFACE MORE PRODUCTIVELY WITH THE PRIVATE SECTOR AND CITIZEN GROUPS TO ENSURE THAT ADEQUATE HOUSING IS MADE AVAILABLE TO ALL THE REGION'S HOUSEHOLDS

OBJECTIVES

- Coordinate the activities of governments, citizen groups and the private sector relative to the provision of adequate housing for all households.
- Establish SCAG as the agency in charge of regularly assessing and publishing regional housing needs.

ISSUE 2 -- Quantity: The amount of sound housing needed within the region now and in the future. There should be at least one housing unit for every household, plus enough extra units to provide a healthy vacancy rate of about 5%.

GOAL

NEW RESIDENTIAL CONSTRUCTION SHOULD BE ADEQUATE TO MEET FORECAST DEMAND AND THE NEED FOR REPLACEMENT HOUSING IN EACH JURISDICTION SO THAT SHORTAGES WHICH FORCE HOUSING PRICES UP AND NECESSITATE OVERCROWDING ARE AVOIDED. NEW HOUSING SHOULD ALSO PROVIDE AN INCREASED CHOICE OF UNIT TYPES AND PRICES.

OBJECTIVE

-- Sustain the production of new housing in the region at about 82,400 units each year between 1975 and 1980.

ISSUE 3 -- Quality: The condition of all housing units and neighborhoods. Desirable housing of sound quality in good neighborhoods should be made available to all, and preserved for the future.

GOAL

NEW UNITS SHOULD BE BUILT TO LAST, TO BE EASILY MAINTAINED, AND TO BE RESOURCE- AND ENERGY-EFFICIENT. EXISTING UNITS SHOULD BE MAINTAINED IN GOOD REPAIR. DETERIORATED UNITS SHOULD BE REHABILITATED PROMPTLY. ALL NEIGHBORHOODS SHOULD HAVE ADEQUATE AND COORDINATED PUBLIC AND PRIVATE SERVICES AND FACILITIES, CLEAN AIR, QUIET AND PLEASANT SURROUNDINGS, REASONABLE ASSURANCES OF SAFETY AND SECURITY, AND A MEANINGFUL SENSE OF COMMUNITY LIFE.

OBJECTIVES

- Promote new high-quality housing that conserves land and resources.
- Maintain the existing stock in good condition, preserving affordability.
- Rehabilitate deteriorated units, preserving affordability.
- Assure the provision of adequate public and private facilities and services in all residential areas.
- Promote environmental and aesthetic quality in all residential areas.
- Assure residential security and safety.

ISSUE 4 -- Cost and Distribution: The availability of affordable housing for all income groups in all parts of the region, with the assurance of equal housing choices and opportunities for all households in each jurisdiction.

GOAL

EACH HOUSEHOLD IN THE SCAG REGION SHOULD BE ABLE TO SECURE A SOUND DWELLING UNIT, OF SUITABLE SIZE, FOR NO MORE THAN 25 PERCENT OF ITS GROSS HOUSEHOLD INCOME. HOUSING SHOULD BE AVAILABLE IN A VARIETY OF STYLES AND TENURE TYPES, AND HOUSING OPPORTUNITIES SHOULD BE AVAILABLE TO ALL INCOME GROUPS IN ALL COMMUNITIES. FURTHER, HOUSING DISCRIMINATION, ON THE BASIS OF RACE, RELIGION, ETHNICITY, SEX, AGE, MARTIAL STATUS, OR HOUSEHOLD COMPOSITION, SHOULD BE ELIMINATED.

OBJECTIVES

- Slow the rising cost of new and existing housing.
- Reduce the cost of new construction and land.
- Encourage expanded job opportunities in low-income areas.
- Urge expansion of federal housing assistance programs for low- and moderate-income households.
- Prepare criteria for distribution of low- and moderate-income housing.
- Establish Affirmative Action Program to provide equal opportunity in housing.

As suggested above, housing needs are not the same everywhere. Localities vary in the amount of deterioration in their housing stocks, and in the incidence of poverty among their residents. Using data from the Regional Housing Allocation Model, SCAG's Urban Reinvestment Study identified existing and potential housing deterioration as indicators of economic decline. The percentage of "Unsound Units" (the sum of all units needing replacement or rehabilitation) in each community was used to describe existing deterioration. The percentage of "Sound Units With Low-Income Prospects" (units which, while currently sound, are subject to deterioration because of their low market-value and the limited ability of low-income residents to afford needed maintenance) was used to describe potential deterioration.

To provide a framework for addressing the varied housing needs of the region's 156 cities and numerous unincorporated communities, the combined indicator of existing and potential deterioration, "Unsound Units Plus Sound Units With Low-Income Prospects" was used in this document to estimate housing needs in each city and to group urban cities (which together constitute a single housing market area) into three categories:

1. Reinvestment Cities and Communities. These have comparatively large amounts of deteriorated housing that needs to be replaced or rehabilitated, and a predominance of lower-income residents, many of whom need jobs and/or income subsidies. New housing, housing rehabilitation, and economic development are critically needed to meet current and forecast housing needs and to improve the local tax base.
2. Potential Reinvestment Cities and Communities. These have moderate amounts of deteriorated housing needing to be replaced or rehabilitated, and large amounts of housing needing maintenance to prevent deterioration. They have a moderate number of lower-income residents, many of whom need housing assistance. Their tax bases are fairly stable, but have a potential to decline in the near future.
3. Economically Sound Cities and Communities. These have little deteriorated housing, few lower-income residents, and a stable and adequate tax base, and/or sufficient economic growth to support essential public facilities and services. Housing prices almost totally preclude housing opportunities for lower-income households. Many such cities are experiencing rapid population growth as well as economic growth.

Desert and rural communities are grouped together in a fourth category because they constitute a separate housing market and have unique housing problems.*

A Regional Housing Strategy, indicating which housing needs are most critical, and therefore deserving of public policy attention in each type of city, was then devised.

The strategy is presented in matrix form showing which issue areas need attention in each type of community. Each cell on the matrix contains the words "major emphasis", "minor emphasis" or "no emphasis", indicating the relative importance of specific problems. For example, new housing construction to replace dilapidated units appears on the matrix as an issue needing "major emphasis" in Reinvestment Cities and Communities, "minor emphasis" in Potential Reinvestment Cities and Communities, and "no emphasis" in Economically Sound Cities and Communities.

The Implementation Plan for carrying out the Regional Housing Strategy has two components -- one regional, one local. The Regional Component includes a set of Policies and Policy-Actions addressing the objectives in each of the four issue areas described above. Because housing needs cannot be adequately addressed exclusively, or even primarily, through public action, the Policies and Policy-Actions mainly are designed to stimulate or guide private action or investment. Toward this end, the Regional Component of the plan also recommends the development of four special public/private sector task forces, one for each of the four types of cities described

* In this report unincorporated areas were not analyzed or grouped in the categories mentioned above.

above. Each task force would include elected officials and private-sector representatives from the cities and communities in each category, and would be charged with developing a plan for coordinating public and private-sector activities and increasing the flow of capital resources toward the solution of common housing problems.

The Local Programs Component of the Implementation Plan provides local jurisdictions with a range of program and regulatory options for use in meeting identified needs. Each program is described in terms of its legal authority, necessary structure, the type of need it addresses, and how and where it is now being used.

ASSESSMENT OF HOUSING NEEDS

The following maps and figures describe the region's housing needs:*

FIGURE 1 shows the steadily increasing gap between housing prices and incomes in the SCAG region since 1970.

MAP 1 shows the percentage of low-income households needing assistance to secure adequate housing in each city (as of 1975). These households currently pay more than 25% of their income for housing, are overcrowded, and/or live in substandard units.

FIGURE 2 shows the extent of overcrowding in each county in 1976.

MAP 2 shows the percent of "Unsound Units" (the sum of all units needing replacement or rehabilitation) in each city, as of 1976.

MAP 3 shows the location and severity of forecast housing deterioration as shown by the indicator "Percent Unsound Units Plus Sound Units with Low Income Prospects".

MAPS 4 and 5 show the concentration of minority populations (blacks and Spanish-surnamed) in the region in 1970.

FIGURE 3 presents a summary of housing needs for each city (as of 1976).

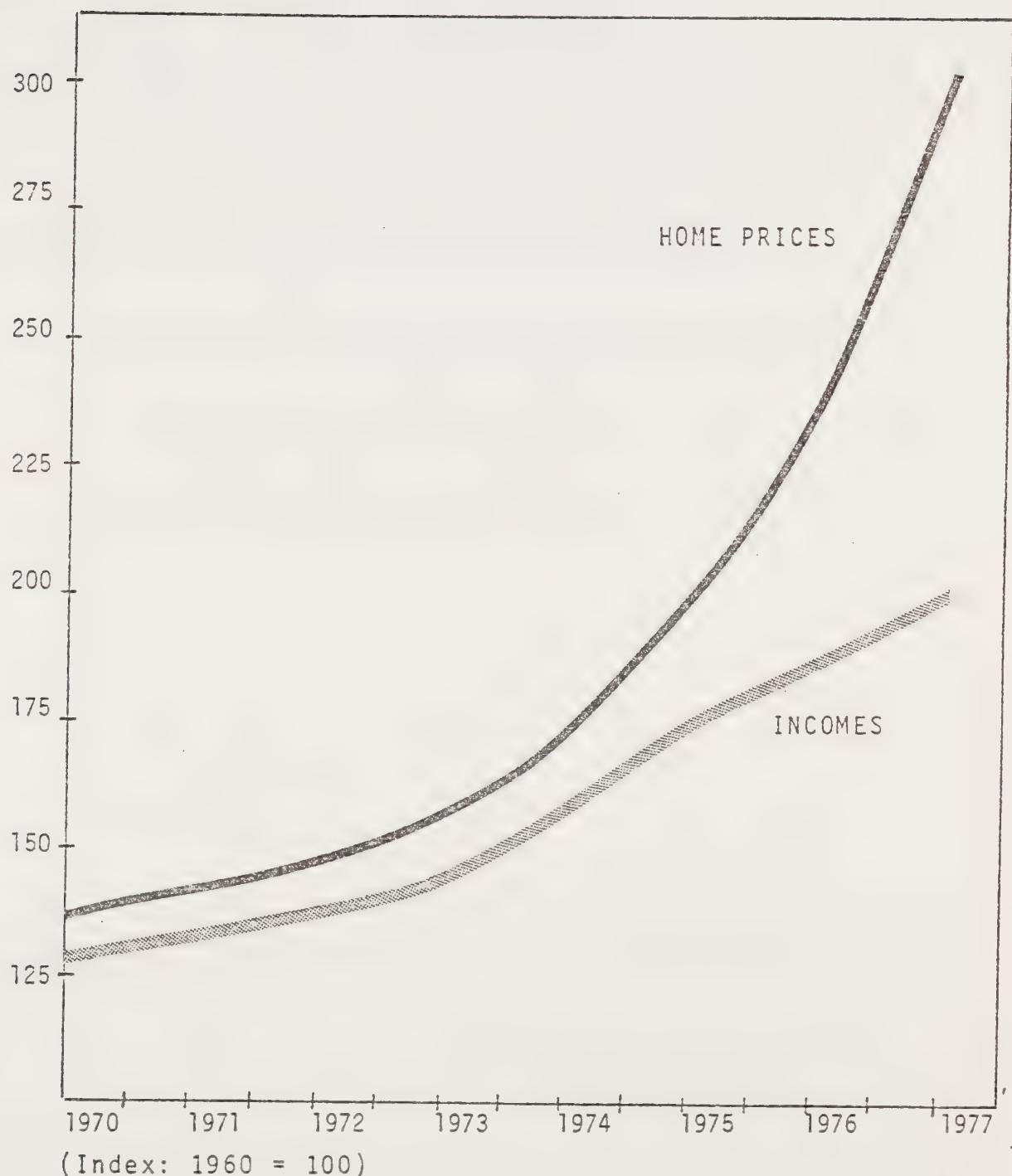
FIGURE 4 summarizes current and forecast regional housing needs.

* The needs data presented in this section were taken in large part from three SCAG publications:

1. SCAG-76:Growth Forecast Policy
2. Regional Housing Allocation Model
3. Urban Reinvestment Study

The reader is referred to these reports for more specific data and explanation of the methodologies used to determine these needs.

FIGURE 1
HOME PRICE AND INCOME TRENDS
IN SOUTHERN CALIFORNIA
1970-1977



SOURCE: Real Estate Research Council of Southern California

MAP 1

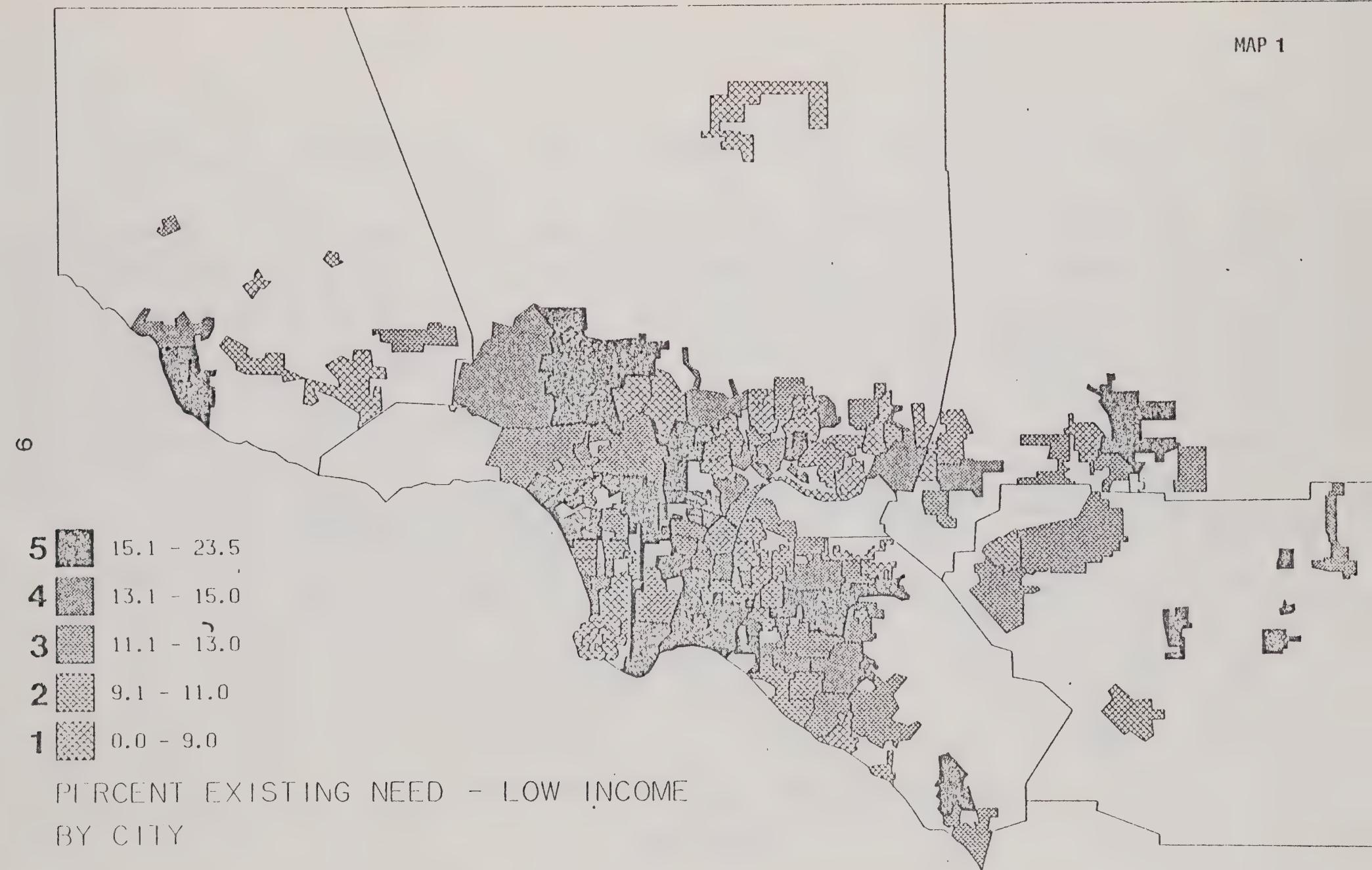


FIGURE 2

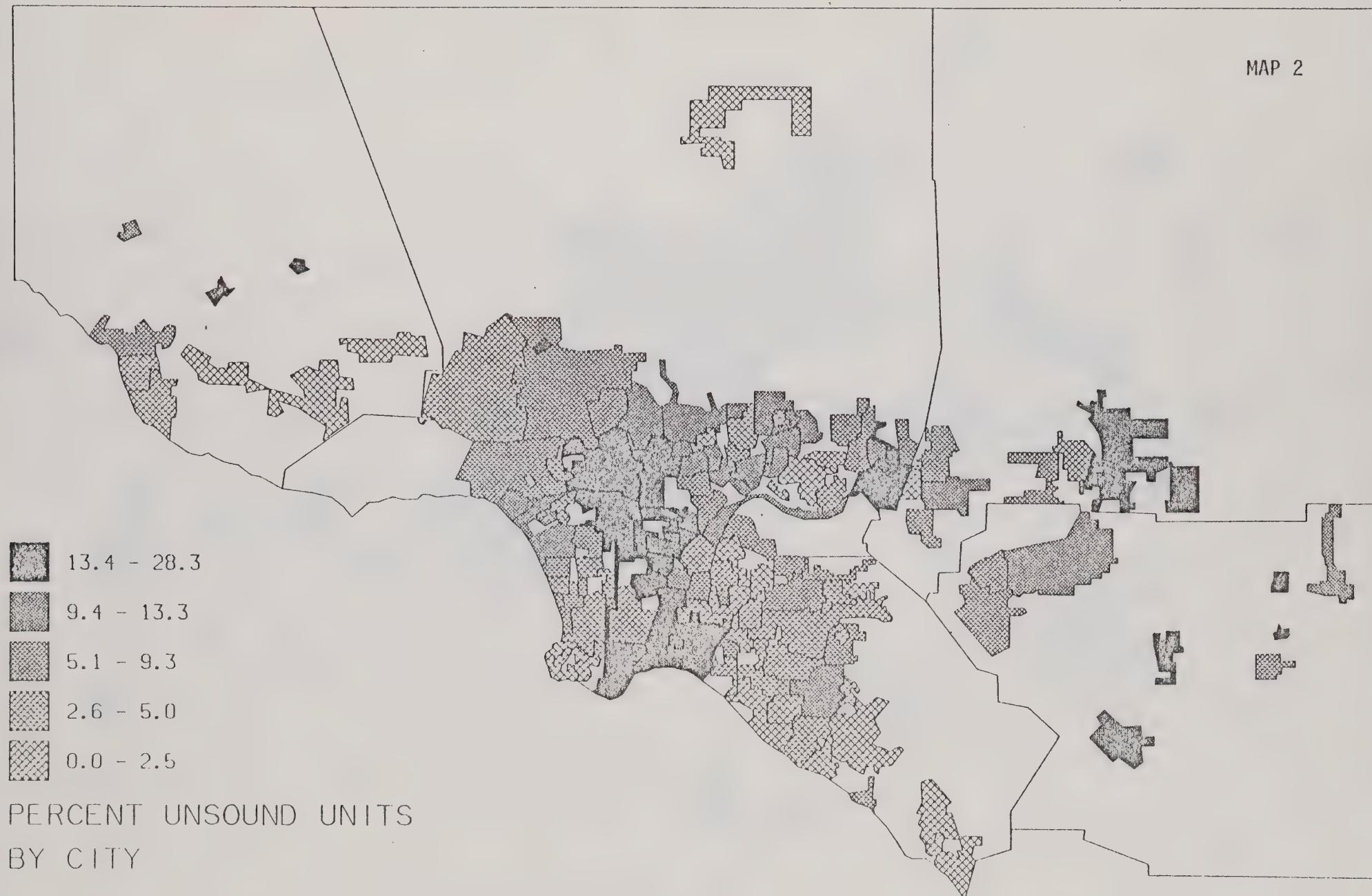
OVERCROWDING

(HOUSEHOLDS WITH 1.01 OR MORE PERSONS/ROOM)

1976

COUNTY	OWNER		RENTER		TOTAL	
	OVERCROWDED UNITS	% OF TOTAL OCCUPIED UNITS	OVERCROWDED UNITS	% OF TOTAL OCCUPIED UNITS	OVERCROWDED UNITS	% OF TOTAL OCCUPIED UNITS
IMPERIAL	1,571	10%	2,443	24%	4,014	15%
LOS ANGELES	49,969	4%	118,154	9%	168,123	6%
ORANGE	11,925	3%	14,209	6%	26,134	4%
RIVERSIDE	5,330	4%	9,277	11%	14,607	7%
SAN BERNARDINO	7,455	5%	8,347	9%	15,802	6%
VENTURA	3,413	4%	5,770	11%	9,183	6%
TOTAL SCAG REGION	79,663	4%	158,200	9%	237,863	6%

MAP 2

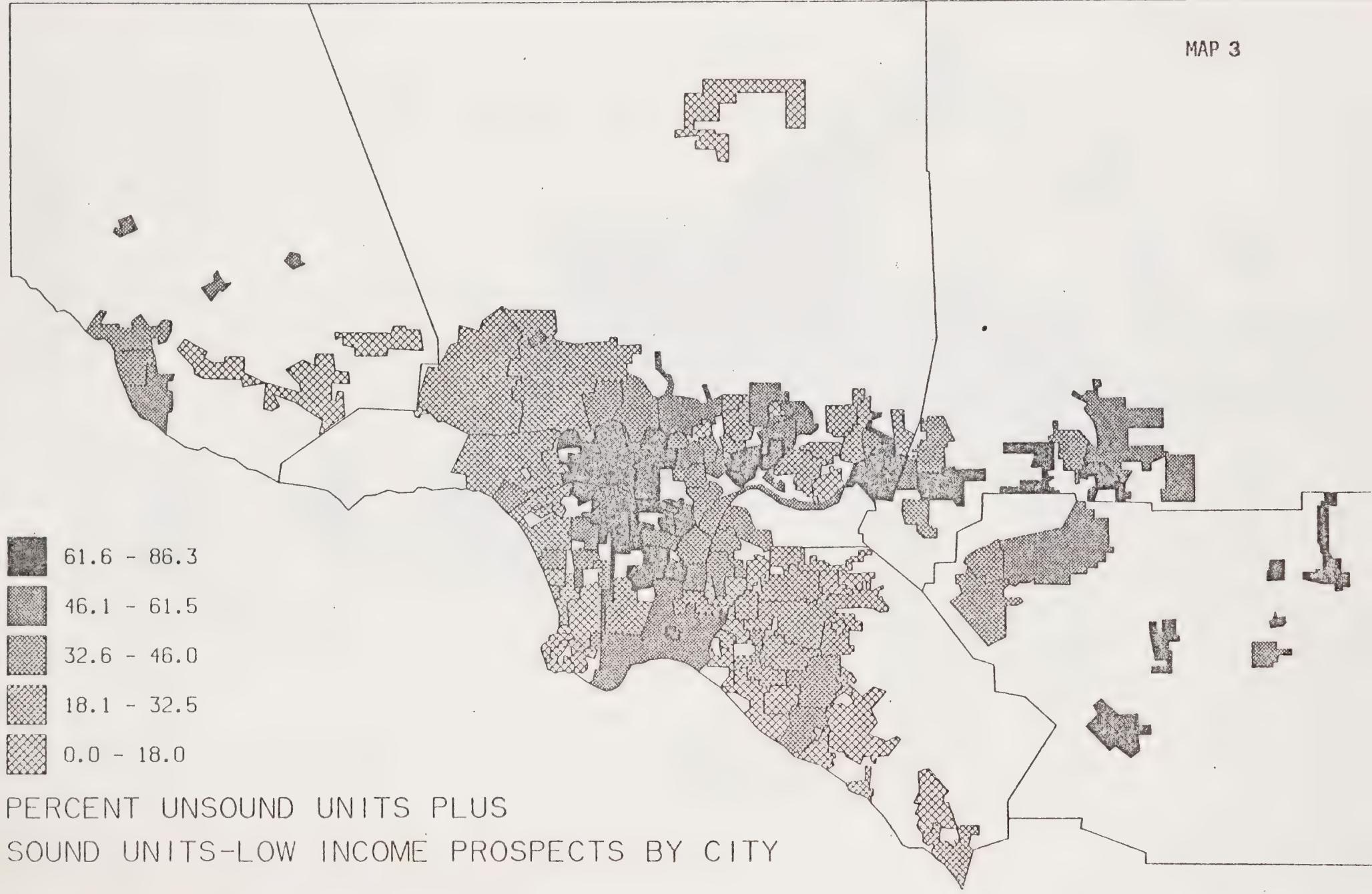


MAP 3

12

- 5 61.6 - 86.3
- 4 46.1 - 61.5
- 3 32.6 - 46.0
- 2 18.1 - 32.5
- 1 0.0 - 18.0

PERCENT UNSOUND UNITS PLUS
SOUND UNITS-LOW INCOME PROSPECTS BY CITY



MAP 4

13

 60-100%

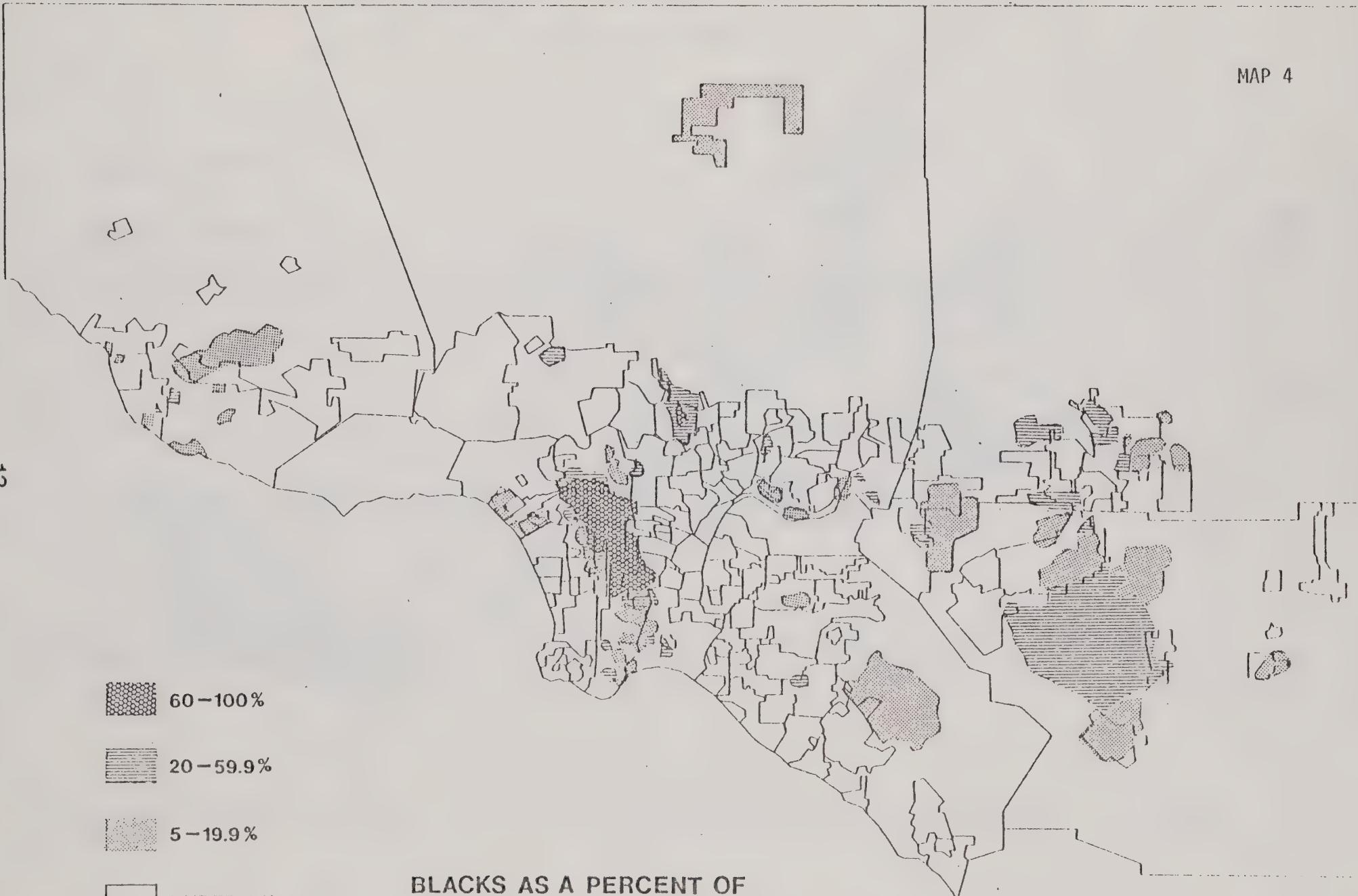
 20-59.9%

 5-19.9%

 UNDER 5%

BLACKS AS A PERCENT OF
TOTAL POPULATION

1970



MAP 5

14

 60-100%

 20-59.9%

 0-19.9%

SPANISH LANGUAGE AND SURNAME
AS A PERCENT OF THE TOTAL
POPULATION 1970

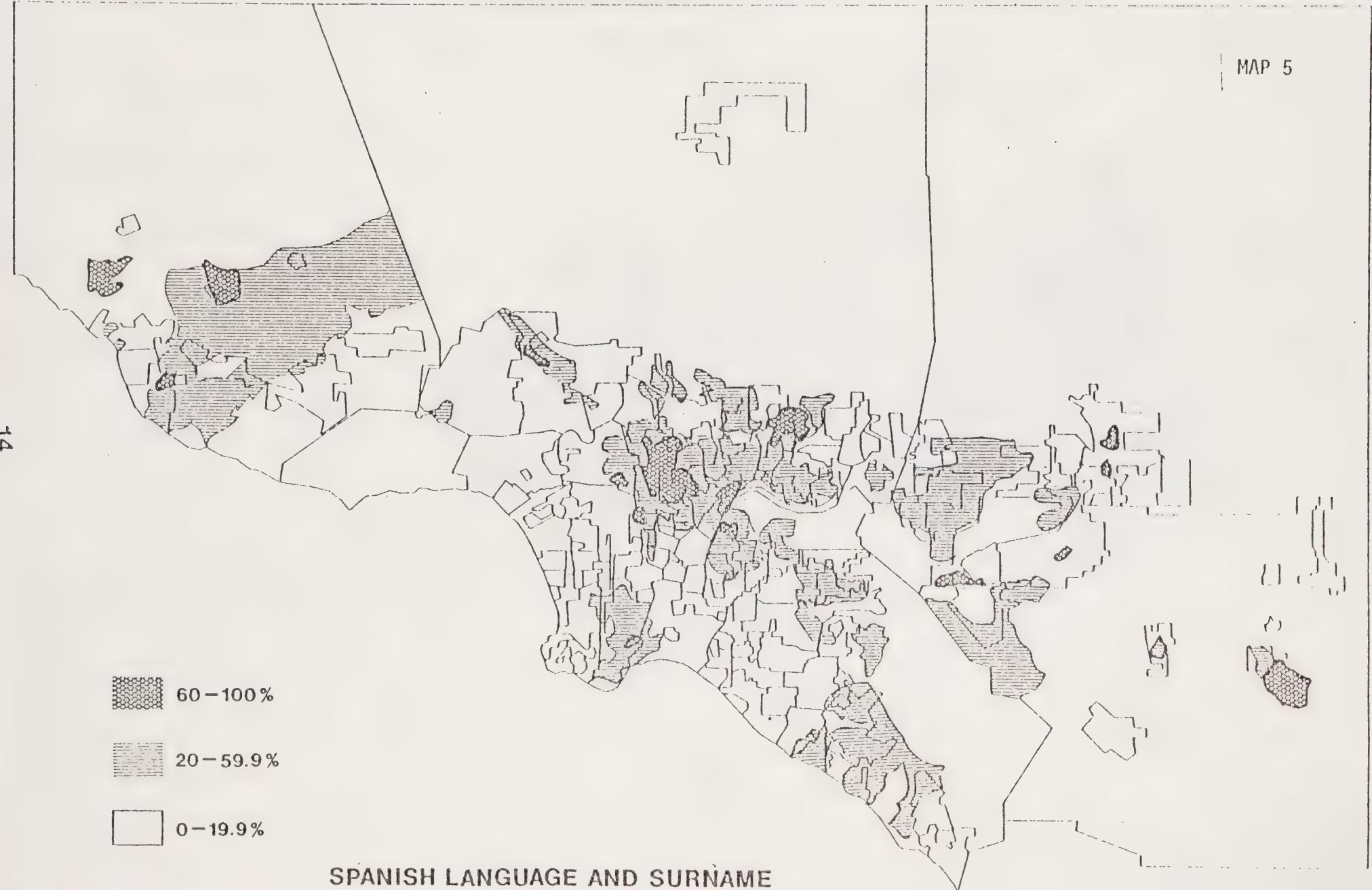


FIGURE 3

SUMMARY OF CURRENT NEEDS AND FAIR SHARE
1976

JURISDICTION	1976 HOUSEHOLDS NEEDING ASSISTANCE	1976 FAIR SHARE ADJUSTMENT	ADJUSTED NEED (INCLUDES FAIR SHARE)	UNITS SUITABLE FOR REHABILITATION
<u>IMPERIAL CO.</u>				
Brawley	748	-	748	841
Calexico	1,127	-	1,127	601
Calipatria	79	-	79	66
El Centro	1,352	-	1,352	951
Holtville	292	-	292	167
Imperial	196	-	196	159
Westmoreland	59	-	59	50
Unincorporated	1,077	-	1,077	1,194
TOTAL IMPERIAL CO.	4,930	N.A.	4,930	4,029
<u>LOS ANGELES CO.</u>				
Alhambra	3,047	50	3,097	2,483
Arcadia	1,766	1,344	3,110	657
Artesia	783	-17	766	429
Avalon	154	15	169	82
Azusa	1,744	-75	1,670	765
Baldwin Park	2,865	-680	2,185	1,619
Bell	1,804	-641	1,163	1,421
Bell Gardens	2,531	-731	1,800	1,061
Bellflower	3,060	-482	2,578	1,597
Beverly Hills	2,219	1,333	3,552	764
Bradbury	8	33	41	0
Burbank	3,212	1,112	4,324	3,287
Carson	3,603	1,667	5,270	1,840
Cerritos	607	1,525	2,132	72
Claremont	967	302	1,269	470
Commerce	505	90	595	436
Compton	5,197	-1,072	4,125	3,393
Covina	1,551	437	1,998	438
Cudahy	1,068	-380	688	630
Culver City	2,305	1,091	3,396	778
Downey	3,263	1,065	4,328	550
Duarte	691	76	767	662
El Monte	3,834	-1,000	2,834	2,661
El Segundo	819	411	1,230	362
Gardena	2,012	478	2,490	824
Glendale	5,883	301	6,184	5,671
Glendora	1,510	302	1,812	387
Hawaiian Gardens	831	-259	572	338
Hawthorne	3,621	751	4,372	1,038
Hermosa Beach	1,358	49	1,407	766
Hidden Hills	6	34	40	0
Huntington Park	3,059	-1,232	1,827	2,683

SUMMARY OF CURRENT NEEDS AND FAIR SHARE (Cont'd)

JURISDICTION	1976 HOUSEHOLDS NEEDING ASSISTANCE	1976 FAIR SHARE	ADJUSTED NEED ADJUSTMENT (INCLUDES FAIR SHARE)	UNITS SUITABLE FOR REHABILITATION
<u>LOS ANGELES CO. (Cont'd)</u>				
Industry	30	\$	38	13
Inglewood	4,733	-128	4,605	3,366
Irwindale	39	11	49	21
La Canada-Flintridge	131	267	398	22
Lakewood	3,020	1,785	4,805	589
La Mirada	795	858	1,553	217
La Puente	1,809	-44	1,765	342
La Verne	928	-1	927	442
Lawndale	1,415	-43	1,373	600
Lomita	1,272	52	1,324	587
Long Beach	30,927	-2,545	28,382	21,718
Los Angeles	223,360	-23,200	200,160	126,544
Lynwood	2,211	-412	1,799	2,136
Manhattan Beach	1,586	1,000	2,586	404
Maywood	1,132	-595	537	1,411
Monrovia	2,593	-200	2,393	1,004
Montebello	2,518	240	2,758	1,218
Morterey Park	1,709	686	2,395	1,115
Norwalk	3,774	605	4,379	1,238
Palmdale	507	0	507	187
Palos Verdes Estates	125	630	756	10
Paramount	1,765	-199	1,556	1,207
Pasadena	7,053	193	7,246	3,131
Pico Rivera	2,959	376	3,335	1,542
Pomona	4,810	-675	4,135	3,960
Rancho Palos Verdes	232	1,551	1,783	9
Redondo Beach	4,103	969	5,072	1,226
Rolling Hills	13	83	95	0
Rolling Hills Estates	18	373	391	6
Rosemead	2,364	-361	2,003	1,305
San Dimas	770	278	1,048	269
San Fernando	1,149	-316	833	836
San Gabriel	3,708	382	4,090	1,075
San Marino	156	661	817	36
Santa Fe Springs	707	421	1,128	48
Santa Monica	8,601	-59	8,542	4,846
Sierra Madre	741	171	912	377
Signal Hill	437	11	448	433
South El Monte	898	-31	867	570
South Gate	3,264	-302	2,962	1,616
South Pasadena	1,275	425	1,700	1,011
Temple City	1,414	329	1,743	835
Torrance	5,318	2,790	8,108	1,382
Vernon	21	3	24	15
Walnut	272	150	422	57
West Covina	2,899	1,528	4,427	167
Whittier	3,712	666	4,378	2,093
Unincorporated	<u>75,789</u>	<u>-4,873</u>	<u>70,916</u>	<u>28,546</u>
Los Angeles Co.				
TOTAL LOS ANGELES CO.	484,946	-10,584	474,362	258,307

SUMMARY OF CURRENT NEEDS AND FAIR SHARE (Con't)

JURISDICTION	1976 HOUSEHOLDS NEEDING ASSISTANCE	1976 FAIR SHARE	ADJUSTED NEED (INCLUDES FAIR SHARE)	UNITS SUITABLE FOR REHABILITATION
		ADJUST- MENT		
<u>ORANGE COUNTY</u>				
Anaheim	12,223	432	12,655	2,227
Brea	798	419	1,217	380
Buena Park	2,985	856	3,841	748
Costa Mesa	4,345	1,731	6,076	773
Cypress	1,515	970	2,485	81
Fountain Valley	1,739	1,148	2,887	43
Fullerton	5,857	1,064	6,921	1,614
Garden Grove	6,372	826	7,198	935
Huntington Beach	7,777	1,932	9,709	960
Irvine	1,271	1,183	2,454	0
Laguna Beach	1,713	484	2,197	555
La Habra	2,542	419	2,961	624
La Palma	442	427	869	9
Los Alamitos	436	-1	435	153
Newport Beach	3,424	3,127	6,551	490
Orange	4,842	867	5,709	1,290
Placentia	950	569	1,519	241
San Clemente	1,324	248	1,572	144
San Juan Capistrano	859	301	1,160	50
Santa Ana	12,193	-1,363	10,830	5,261
Seal Beach	1,725	0	1,725	434
Stanton	1,493	-296	1,197	276
Tustin	2,210	121	2,331	226
Villa Park	31	116	147	2
Westminster	3,918	158	4,076	476
Yorba Linda	578	424	1,002	84
Orange Co. Uninc.	<u>11,780</u>	<u>5,350</u>	<u>17,240</u>	<u>1,962</u>
TOTAL ORANGE CO.	95,452	.21,512	116,964	20,038

RIVERSIDE COUNTY

Banning	873	0	873	402
Beaumont	513	0	513	282
Blythe	481	0	481	182
Cochella	658	-162	496	177
Corona	1,657	-80	1,577	454
Desert Hot Springs	256	-192	64	179
Lake Elsinore	219	0	219	255
Hemet	1,697	0	1,697	365
Indian Wells	20	.100	120	0
Indio	1,051	-79	972	382
Norco	635	4	639	203
Palm Desert	1,220	173	1,393	2
Palm Springs	1,291	478	1,769	207
Perris	552	0	552	173
Rancho Mirage	487	161	648	0
Riverside	8,288	-1,607	6,681	4,512
San Jacinto	379	0	379	234
Unincorporated	<u>16,245</u>	<u>-1,112</u>	<u>15,133</u>	<u>5,060</u>
TOTAL RIVERSIDE CO.	36,522	-2,316	34,206	13,069

SUMMARY OF CURRENT NEEDS AND FAIR SHARE (Cont'd)

JURISDICTION	1976 HOUSEHOLDS NEEDING ASSISTANCE	1976 FAIR SHARE ADJUSTMENT	ADJUSTED NEED (INCLUDES FAIR SHARE)	UNITS SUITABLE FOR REHABILITATION
<u>SAN BERNARDINO CO.</u>				
Adelanto	190	0	190	14
Barstow	1,257	0	1,257	414
Chino	1,351	11	1,362	352
Colton	1,189	-510	679	1,370
Fontana	1,521	-170	1,351	576
Loma Linda	503	-338	165	445
Montclair	856	205	1,061	39
Needles	146	0	146	378
Ontario	3,911	-877	3,034	1,921
Redlands	1,969	-256	1,713	1,579
Rialto	1,401	66	1,467	339
San Bernardino	9,494	-2,316	7,178	5,917
Upland	1,582	163	1,745	641
Victorville	736	0	736	193
Unincorporated	<u>18,992</u>	<u>-3,331</u>	<u>15,661</u>	<u>7,651</u>
TOTAL SAN BERNARDINO CO.	45,098	-7,353	37,745	21,829
<u>VENTURA CO.</u>				
Camarillo	997	435	1,432	71
Fillmore	656	0	656	393
Ojai	382	-137	245	207
Port Hueneme	1,184	-378	806	271
Oxnard	5,477	-1,496	3,981	1,301
San Buenaventura	4,215	-439	3,776	1,903
Santa Paula	710	-618	92	1,088
Simi Valley	2,576	482	3,058	82
Thousand Oaks	2,935	807	3,742	79
Unincorporated	<u>4,154</u>	<u>85</u>	<u>4,239</u>	<u>2,179</u>
TOTAL VENTURA CO.	23,286	-1,259	22,027	7,574
TOTAL SCAG REGION	690,234	0	690,234	324,576

REGIONAL HOUSING NEEDS

1975 TOTAL DWELLING UNITS	3,974,116	% of 1975 Stock
<u>EXISTING NEED</u>		
1975 Units Needing Demolition/Replacement*	105,567	2.7
1975 Units Needing Rehabilitation	300,626	7.6
1975 New Units Needed (gross)*	15,595	.4
SUBTOTAL	421,788	10.7
1975 Sound Units with Low Income Prospects	1,236,517	31.1
1975 TOTAL	1,658,305	41.7
<u>FORECASTED NEED</u>		
1980 Units Needing Replacement	130,000	
1980 Units Needing Rehabilitation	415,000	
1980 New Units Needed (gross)*	410,000	
1980 TOTAL	1,045,000	
1990 Units Needing Replacement	200,000	
1990 Units Needing Rehabilitation	756,000	
1990 New Units Needed (gross)*	950,000	
1990 TOTAL	1,996,000	

* Units Needing Replacement currently make up a substantial portion of the stock affordable by low income households. The number of Units Needing Replacement was subtracted from the 1975 stock when estimating the number of New Units Needed in 1975. After this calculation (which assumed a 4% vacancy allowance) was made, the number of New Units Needed was less than the number of Units Needing Replacement in all counties, indicating that much of the 1975 need for sound units could have been met without building new units if existing sound units could somehow have been made affordable to low income households. Only Los Angeles and Riverside counties needed to build additional units to meet the demand for sound units in 1975. The 1980 and 1990 estimates of New Units Needed represent need derived from projected increases in demand plus the need for replacement units estimated for those years.

REGIONAL HOUSING STRATEGY

The Urban Reinvestment Study and the Regional Housing Allocation Model both estimate current and future housing needs for each city and unincorporated area in the region. Two types of need are identified: the need to replace or rehabilitate dilapidated or deteriorated units ("Unsound Units"), and the need to prevent deterioration of low-income units while eliminating overpaying and overcrowding ("Sound Units with Low Income Prospects"). Combining these two types of need in one indicator presents an indication of housing deterioration and potential deterioration, which is useful for summarizing the relative importance of housing problems among cities in the region. MAP 3 on page 12 shows the relative severity of forecast housing problems in the region using the combined indicator "Unsound Units Plus Sound Units with Low Income Prospects". "Sound Units with Low Income Prospects" refers to those units which have low values either because of the income of the occupant or because of neighborhood characteristics. These units are likely to receive little maintenance investment and are therefore susceptible to deterioration. The map provides a geographic framework for a Regional Housing Strategy.

The strategy assumes that a city with a large percentage of its housing stock in the "Unsound" plus "Sound, with Low Income Prospects" categories needs more public and private investment to reverse and/or arrest deterioration (and the corresponding loss of tax base and lower-income housing which can drive housing prices up further in other localities), than does a city in which these characteristics are not as prevalent. Further, this indicator provides a way of grouping cities with similar problems.

For the purpose of this report, cities with the worst deterioration and potential deterioration problems (over 60 % of the 1975 housing stock in the "Unsound Units, Plus Sound Units with Low Income Prospects" category) are called Reinvestment Cities and Communities. Cities with moderate amounts of deterioration and/or potential deterioration (30%-60%) are called Potential Reinvestment Cities and Communities. Cities with little or no deterioration and few low-income households or low-valued units (less than 30%) are called Economically Sound Cities and Communities. Desert and Rural Communities are grouped separately as they constitute a separate housing market area outside the major urbanized portion of the region and have unique problems of their own. The cities in each category are shown on FIGURE 5, pages 18 and 19, and on MAP 6, page 20.

The Regional Housing Strategy focuses public policy on the major problems evidenced in each type of city as described by the analysis of needs in the Regional Component of the Implementation Plan which follows, and as directed by adopted SCAG goals and policies. The Strategy is presented in matrix form on FIGURE 6, page 21. Each cell on the matrix contains the words "major emphasis", "minor emphasis" or "no emphasis", indicating the severity of the identified problem in each type of community and/or the amount of public attention required to solve both local and regional problems. Each cell also includes a list of numbers. These numbers refer to local programs described in the Local Programs Component of the Implementation Plan. FIGURE 7, page 22 is an Index of Local Programs showing both the program number and title.

SUMMARY OF CITIES BY CATEGORY
REGIONAL HOUSING STRATEGY

FIGURE 5

Reinvestment Cities and Communities

Baldwin Park	Los Angeles (East Los Angeles)
Bell	Los Angeles (South Central Los Angeles)
Bell Gardens	Lynwood
Colton	Maywood
Commerce	Paramount
Compton	Riverside
Cudahy	San Bernardino
El Monte	Santa Ana
Fontana	Signal Hill
Hawaiian Gardens	South El Monte
Huntington Park	Vernon
Los Angeles (Downtown)	

Potential Reinvestment Cities and Communities

Alhambra	Los Angeles (East Valley)
Anaheim	Los Angeles (Harbor)
Artesia	Monrovia
Avalon	Montebello
Azusa	Monterey Park
Bellflower	Norco
Buena Park	Norwalk
Burbank	Ontario
Chino	Oxnard
Corona	Pasadena
Costa Mesa	Pico Rivera
Covina	Pomona
Downey	Port Hueneme
Duarte	Redlands
El Segundo	Rialto
Fullerton	Rosemead
Gardena	San Buenaventura
Glendale	San Fernando
Hawthorne	San Gabriel
Hermosa Beach	Santa Fe Springs
Industry	Santa Monica
Inglewood	South Gate
Iwindale	South Pasadena
La Puente	Stanton
La Verne	Temple City
Lawndale	Upland
Lomita	Whittier
Long Beach	

Economically Sound Cities and Communities

Arcadia	Los Angeles (West Valley)
Beverly Hills	Manhattan Beach
Bradbury	Montclair
Brea	Newport Beach
Camarillo	Orange
Carson	Palos Verdes Estates
Cerritos	Placentia
Claremont	Rancho Palos Verdes
Culver City	Redondo Beach
Cypress	Rolling Hills
Fountain Valley	Rolling Hills Estates
Garden Grove	San Clemente
Glendora	San Dimas
Hidden Hills	San Juan Capistrano
Huntington Beach	San Marino
Irvine	Seal Beach
Laguna Beach	Sierra Madre
La Habra	Simi Valley
Lakewood	Thousands Oaks
La Mirada	Torrance
La Palma	Tustin
Loma Linda	Villa Park
Los Alamitos	Walnut
Los Angeles (Airport)	West Covina
Los Angeles (West L.A.)	Westminister
	Yorba Linda

Desert and Rural Communities

Adelanto	Imperial
Banning	Indian Wells
Barstow	Indio
Beaumont	Lake Elsinore
Blythe	Needles
Brawley	Ojai
Calexico	Palmdale
Calipatria	Palm Desert
Coachella	Palm Springs
Desert Hot Springs	Perris
El Centro	Rancho Mirage
Fillmore	San Jacinto
Hemet	Santa Paula
Holtville	Victorville
	Westmorland

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- REINVESTMENT CITIES
AND COMMUNITIES
- POTENTIAL REINVESTMENT CITIES
AND COMMUNITIES
- ECONOMICALLY SOUND CITIES
AND COMMUNITIES
- DESERT AND RURAL
COMMUNITIES

Regional Housing Strategy

FIGURE 6

REGIONAL HOUSING STRATEGY	QUANTITY		QUALITY						COST AND DISTRIBUTION																	
			HOUSING UNITS			NEIGHBORHOODS			Environmental and Aesthetic Quality		Residential Security and Safety		Cost of New and Existing Housing		New Construction Cost		Economic Development		Increase Housing Assistance		Build New LOWER INCOME HOUSING Preserve Existing		Build New MIDDLE INCOME HOUSING Preserve Existing		Build New UPPER MIDDLE ACROSSING Preserve Existing	
	New Construction for Growth	Replacement	New Unit Quality	Maintainance of Existing Stock	Rehabilitation of Deteriorated Units	Public and Private Facilities and Investments	Environmental Quality	Aesthetic Quality	Residential Security and Safety	Residential Security and Safety	Cost of New and Existing Housing	New Construction Cost	Economic Development	Increase Housing Assistance	Build New LOWER INCOME HOUSING Preserve Existing	Build New MIDDLE INCOME HOUSING Preserve Existing	Build New UPPER MIDDLE ACROSSING Preserve Existing	Equal Opportunity								
1. Reinvestment Cities & Communities	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Minor Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	
	1,9,13, 14,15,16, 17,21,27, 28,	1,2,3,5, 9,13,14,15, 16,17,19, 21,27,28	15,20,27, 28	1,2,8,17, 18,24,27, 28	1,2,4,5,7, 8,10,12,13, 14,15,17, 18,24,27,28	1,14,27,28	1,14,27, 28	1,14,15, 20,27,28	4,5,8,9, 10,12,13, 17,	1,14,15,16, 20,21	1,13,14, 27,28				1,2,3, 9,13, 14,15, 16,17, 20,21	1,2, 4,7, 8,10, 15,16, 17,20, 21,27, 22,23	1,5,9, 13,14, 15,16, 17,20, 21,27, 22,23	1,7,8, 10,12, 13,14, 17,21, 27,28	1,13, 14,15, 17,21, 27,28	1,14, 15,17, 18,24, 25,27	1,2,15, 17,	1,2,15,				
2. Potentially Unstable Cities and Communities	Minor Emphasis	Minor Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Minor Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	
	1,2,3,9, 13,14,15, 16,17,19, 21,27,28	1,2,3,5,9, 13,14,15, 16,17,19, 21,27,28	15,20,27, 23	1,2,8,17,18, 24,27,28	1,2,4,5, 7,8,10,12, 13,14,15, 17,18,24, 27,28	1,14,27,28	1,14,27, 28	1,14,15, 20,27,28	3,4,5, 8,9,10, 12,13, 17	1,14,15,16, 20,21	1,13,14, 27,28				1,2,3, 9,13, 14,15, 16,17, 17,19, 20,21	1,2,4, 7,8, 10,12, 13,14, 17,19, 20,21	1,5,9, 13,14, 15,16, 17,19, 20,21	1,7,8, 10,12, 13,14, 17,21, 27,28	1,13, 14,15, 17,21, 27,28	1,14, 15,17, 18,24, 25,27	1,2,15,17, 19	1,2,15,17, 19				
3. Stable Cities and Communities	Minor Emphasis	No Emphasis	Major Emphasis	Major Emphasis	Minor Emphasis	Major Emphasis	Minor Emphasis	Minor Emphasis	Minor Emphasis	Minor Emphasis	Minor Emphasis	Minor Emphasis	Minor Emphasis	Minor Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	Major Emphasis	
	1,2,3,9, 15,16,19, 21,22,25		15,20,27, 28	1,2,4,5,8, 10,12,13, 14,15,18, 24,25,27, 28	1,14,25, 28	1,14,27, 28	1,14,15,20, 27,28	1,14,15, 20,27,28	3,4,5,8, 9,10,12,13	1,14,15,16, 20,21	1,13,14, 27,28			1,2,3, 9,13,14, 15,16, 19,20, 21,25	1,2, 4,8, 12,13, 14,15, 17,20, 25	1,5,9, 13,14, 15,16, 17,19, 20,21	1,7,8, 10,12, 13,14, 17,21, 25,27	1,13, 14,15, 17,21, 25,27	1,14, 15,17, 18,24, 27,28	1,2,15, 19	1,2,15, 19					
4. Desert and Rural Communities	1,2,3,6, 9,11,13, 14,15,16, 19,21,25 27	1,2,3,5,6, 9,11,13,14, 15,16,19, 21,27	15,20,27, 28	1,2,8,18, 24,27,28	1,2,4,5,8, 10,12,13, 14,15,18, 24,25,27, 28	1,14,27,28	1,14,27,28	1,14,15, 20,27,28	3,4,5,6,9, 10,12,13	1,14,15, 16,20,21	1,13,14, 27,28			1,2,3, 5,11, 13,14, 15,16, 19,20, 21,25	1,2, 4,8, 10,12, 13,14, 17,20, 25	1,5,9, 13,14, 15,16, 17,20, 21,22	1,7,8, 10,12, 13,14, 17,21, 25,27	1,13, 14,15, 17,21, 25,27	1,14, 15,17, 18,24, 28	1,2,15, 17,19	1,2,15, 17,19					

INDEX OF LOCAL PROGRAMS

Federally Funded

1. Housing and Community Development Act (HCDA)
2. Rent Assistance Programs
 - a. Traditional Housing
 - b. Section 8
3. Section 202 -- Direct Loans for the Elderly or Handicapped
4. Section 312 -- Rehabilitation Loans
5. Section 235 -- Home Ownership Assistance for Lower-Income Households
6. Section 515 -- Rural Rental-Housing Assistance
7. Urban Homesteading
8. Title I Insurance -- Property-Improvement Loans

State Funded

9. California Housing Finance Agency -- Mortgage Financing
10. California Housing Finance Agency -- Neighborhood Preservation
11. Farmworker Housing

Locally Funded

12. Marks-Foran Residential Rehabilitation Act
13. Municipal Housing Finance Agency
14. Tax Increment Financing through California Redevelopment Law

Regulation and Taxation

15. Zoning and Land-Use Regulation
16. Land Write-downs and Land-Banking
17. Anti-Redlining Practices
18. Code Enforcement
19. Inclusionary Ordinances
20. Codes
21. Reduction of Red Tape
22. Speculation Controls
23. Rent Stabilization
24. Occupancy Ordinances
25. Growth Management
26. Local Housing Elements
27. Cooperative Housing
28. Administrative Variations for Housing Production
 - a. Community Development Commission
 - b. Area Housing Councils

IMPLEMENTATION PLAN

The Implementation Plan has both a Regional Component and a Local Programs Component.

The Regional Component presents a summary of needs, obstacles to meeting needs, goals, and overall objectives for each major issue area: Coordination and Cooperation, Quantity, Quality, and Cost and Distribution. It also presents a set of 15 Policies and 66 Policy-Actions. All the Policies and Policy-Actions support the achievement of adopted regional growth forecasts and housing goals, as well as all other goals and policies contained in the SCAG Regional Development Guide. In fact, many of the Policies and Policy-Actions included in the Regional Component have already been adopted, or clearly conform with the intent of adopted policies. A star (*) next to a Policy or Policy-Action indicates its previous adoption by the SCAG General Assembly.

The Local Programs Component is a compendium of federal, state and local programs that local jurisdictions may use to address both local and regional housing problems. Each program is numbered, and the numbers are keyed to the Regional Housing Strategy matrix on page 21.

REGIONAL COMPONENT

Introduction

In the past, SCAG's role with regard to housing has included eight basic functions:

1. Development of regional housing goals and policies;
2. Data collection and analysis to determine both local and regional housing needs;
3. Development of the Regional Housing Allocation Model, a detailed and regularly updated needs assessment which includes a "fair share" component used to assign responsibility for meeting a percentage of the region's low- and moderate-income housing needs to each jurisdiction;
4. Provision of technical assistance to local governments, state and federal agencies, and the private sector;
5. Review of local government/agency activities relative to the provision of low- and moderate-income housing opportunities and related services for their consistency with regional plans and policies;
6. Coordination of local government/agency activities relative to the provision of low- and moderate-income housing opportunities and related services to ensure, wherever possible, the most efficient use of federal and state moneys;
7. Allocation of special "bonus" (Section 8) housing assistance funds in accordance with a Housing Opportunities Plan based on the Regional Housing Allocation Model;
8. Review of proposed state and federal legislation and administrative regulations regarding housing, and community and economic development for their impact on regional housing problems.

SCAG's planning and technical assistance activities in housing and community development have made its member jurisdictions and the state and federal governments increasingly aware of the nature and scale of the housing problems the region faces, and the problems it can expect to face in the future if current needs are not met promptly. The news media have also helped to increase public awareness of housing problems.

It is now time to take action: to coordinate local government activities in the region; to not only identify needs and administer federal housing programs, but also to implement a strategy for achieving regional housing goals. Both the state and federal governments have directed regional planning agencies to include implementation plans in their Housing and Land Use Elements.

This, the Regional Component of the Regional Housing Element Implementation Plan, is both a policy and an action plan. It contains both Policies and Policy-Actions addressing the goals and objectives set forth in each of the four issue areas:

1. Coordination and Cooperation: The relationship between governments within the region and private-sector interests relative to the provision of adequate housing for the region's households.
2. Quantity: The amount of sound housing needed within the region now and in the future. There should be at least one housing unit for every household, plus enough extra units to provide a healthy vacancy rate of about 5%.
3. Quality: The condition of all housing units and neighborhoods. Desirable housing of sound quality in good neighborhoods should be made available to all, and preserved for the future.
4. Cost and Distribution: The availability of affordable housing for all income groups in all parts of the region, with the assurance of equal housing choices and opportunities for all households, in each jurisdiction.

Following a brief description of needs, obstacles to meeting needs, goals, and overall objectives in each issue area, the plan presents a set of policies and policy-actions directed at overcoming the obstacles and achieving the goals and objectives.

Through these policies and policy-actions, SCAG's role in housing is expanded to include more interaction with the private sector and housing consumer groups, and more effective coordination of housing and community-development activities within the region.

The plan is comprehensive, and should be taken as a whole. The issues of Quantity, Quality, and Cost and Distribution are all inter-related, and the coordination of government and private-sector activities relative to housing and economic development is essential, as the private sector provides most of the housing in the region and most of the jobs as well. The plan gives direction for action to all levels of government, and encourages private-sector and citizen involvement with SCAG and its member jurisdictions in addressing regional housing needs. The plan also expands and further defines the scope of SCAG's role in the areas of technical assistance, legislative lobbying, and A-95 review.

ISSUE 1: COORDINATION AND COOPERATION

INTRODUCTION

There are 151 cities and six counties in the SCAG region, and nearly four million households and four million housing units. There are also thousands of people employed by the housing industry in one way or another, and hundreds more employed by local, areawide, state and federal agencies and specifically charged with providing adequate housing in the region. The efforts of the region's households to secure adequate shelter at affordable prices are becoming increasingly more difficult, however, indicating the failure of both the private and public sectors.

NEEDS

The problems of affordability vary widely throughout the region. Problems are much worse in older urban areas than in newer developing areas. Hence the Regional Housing Strategy designates Reinvestment Cities and Communities as the focus of "major emphasis" in almost all areas of housing need (see FIGURE 6, page 21). Affordability is also a serious problem in Potential Reinvestment Cities and Communities, and the Regional Housing Strategy also focuses attention on problems in these areas. What these two groups of cities have in common is that they are not new, they are generally not growing, and they do not have a predominance of upper income households and expensive homes. Instead, their housing stock is aging, and their populations consist mainly of low-, moderate-, and middle-income households who are having an increasingly difficult time making financial ends meet. In addition, their local tax bases are often limited or declining, as industry and commercial activities are drawn away to newer, more modern, less congested areas. The need is for economic and structural revitalization.

OBSTACLES TO MEETING NEEDS

1. Lack of cooperation, and frequent counter-productive competition, between neighboring jurisdictions for economic activity to support local government.
2. Lack of coordination among jurisdictions to provide housing assistance to households who cannot afford market-rate housing.
3. Lack of cooperation between the public and private sectors to address both local and areawide housing and economic development problems.
4. Lack of understanding as to the scope of housing needs in the region.

GOAL

LOCAL GOVERNMENTS SHOULD COORDINATE THEIR HOUSING, AND COMMUNITY AND ECONOMIC DEVELOPMENT ACTIVITIES, WITH ONE ANOTHER, AND INTERFACE MORE PRODUCTIVELY WITH THE PRIVATE SECTOR AND CITIZEN GROUPS TO ENSURE THAT ADEQUATE HOUSING IS MADE AVAILABLE TO ALL THE REGION'S HOUSEHOLDS.

OVERALL OBJECTIVES

1. Coordinate the activities of governments, citizen groups and the private sector relative to the provision of adequate housing for all households.
2. Establish SCAG as the agency in charge of regularly assessing and publishing regional housing needs.

POLICIES AND POLICY-ACTIONS

Intergovernmental and Public/Private Sector Cooperation

POLICY 1

SCAG SHALL WORK TO ENSURE THAT ALL LOCAL GOVERNMENTS, PUBLIC AGENCIES, AND INTERESTED CITIZEN GROUPS COORDINATE THEIR EFFORTS TO PROVIDE ADEQUATE HOUSING FOR ALL HOUSEHOLDS IN THE REGION. SCAG SHALL ALSO WORK VIGOROUSLY TO INVOLVE THE PRIVATE SECTOR IN EFFORTS TO MEET REGIONAL HOUSING GOALS AND OBJECTIVES.

POLICY-ACTION 1A

SCAG SHALL ENCOURAGE ALL JURISDICTIONS TO COORDINATE HOUSING ASSISTANCE ACTIVITIES WITH THOSE OF OTHER CITIES BY PARTICIPATING IN AREA HOUSING COUNCILS, AREAWIDE OR COUNTY-WIDE HOUSING AUTHORITIES, AND/OR OTHER TYPES OF JOINT-POWER AGREEMENTS.

POLICY-ACTION 1B

SCAG SHALL ENCOURAGE AND SUPPORT THE EFFORTS OF INTERESTED CITIZEN GROUPS (E.G., TAXPAYERS' ASSOCIATIONS, HOUSING CONSUMER GROUPS, FAIR HOUSING COUNCILS) TO PROVIDE ADEQUATE HOUSING FOR ALL HOUSEHOLDS.

POLICY-ACTION 1C

SCAG SHALL DEVELOP SPECIAL PUBLIC/PRIVATE SECTOR HOUSING TASK FORCES TO ADDRESS THE SPECIFIC AND SIMILAR NEEDS OF THE FOUR GROUPS OF CITIES IDENTIFIED IN THE REGIONAL HOUSING STRATEGY:

- REINVESTMENT CITIES AND COMMUNITIES
- POTENTIAL REINVESTMENT CITIES AND COMMUNITIES
- ECONOMICALLY SOUND CITIES AND COMMUNITIES
- DESERT AND RURAL COMMUNITIES

Needs Assessment

The SCAG Regional Housing Allocation Model (Appendix A) provides data on housing needs and has been updated annually for the past two years. The RHAM should be continually expanded to provide improved analysis of the magnitude and description of housing needs. Localities should be encouraged to assess needs of specific neighborhoods within their jurisdiction and to contribute any new information to the regional assessment.

POLICY 2

SCAG SHALL REGULARLY ASSESS CURRENT AND PROJECTED HOUSING NEEDS FOR ALL INCOME GROUPS IN EACH OF THE REGION'S CITIES AND UNINCORPORATED AREAS. THE NEEDS ASSESSMENT SHALL DESCRIBE THE NUMBER OF HOUSEHOLDS PAYING MORE THAN 25 PERCENT OF THEIR INCOME FOR HOUSING, AND THE NUMBER LIVING IN SUBSTANDARD AND/OR OVERCROWDED UNITS. THESE NEEDS SHALL BE IDENTIFIED FOR OWNERS AND RENTERS, MINORITY GROUPS, THE ELDERLY, LARGE FAMILIES, AND FEMALE-HEADED HOUSEHOLDS. IT SHALL ALSO ESTIMATE UNITS NEEDING REPLACEMENT AND UNITS NEEDING REHABILITATION. FURTHER, IT SHALL DESCRIBE THE AMOUNT (AND PRICE) OF NEW HOUSING NEEDED IN EACH JURISDICTION.

ISSUE 2: QUANTITY

INTRODUCTION

The number of "sound" housing units available for occupancy at any one time can be computed by subtracting the number of dilapidated or unsound units from the total housing stock. The size of the housing stock changes in three ways: (1) New units are added to the stock by construction, (2) units are removed by demolition or disaster (i.e., earthquake, fire, flood) (3) units are subdivided, modified, or changed in usage. The removal of unsound units is sometimes delayed because they provide at least minimal shelter for lower-income households.

The planning problem is to assure that there are always a sufficient number of sound units available to house all households. Today this problem is more complex than it has been in the past. The amount of land suitable for residential development is limited. Furthermore, adding new units to the housing stock is more difficult and expensive now than in the past due to the high costs of construction, the high cost and limited availability of construction and mortgage capital, the increased costs of providing public services, and increased governmental constraints and processes. Moreover, an increasingly large proportion of the existing housing stock in older urban areas is deteriorating to the point of dilapidation each year. New construction rates must therefore be high enough to offset losses resulting from deterioration, as well as to provide new units needed to meet anticipated increases in demand.

Further, housing production must provide enough additional new units to eliminate the need for overcrowding.

NEEDS

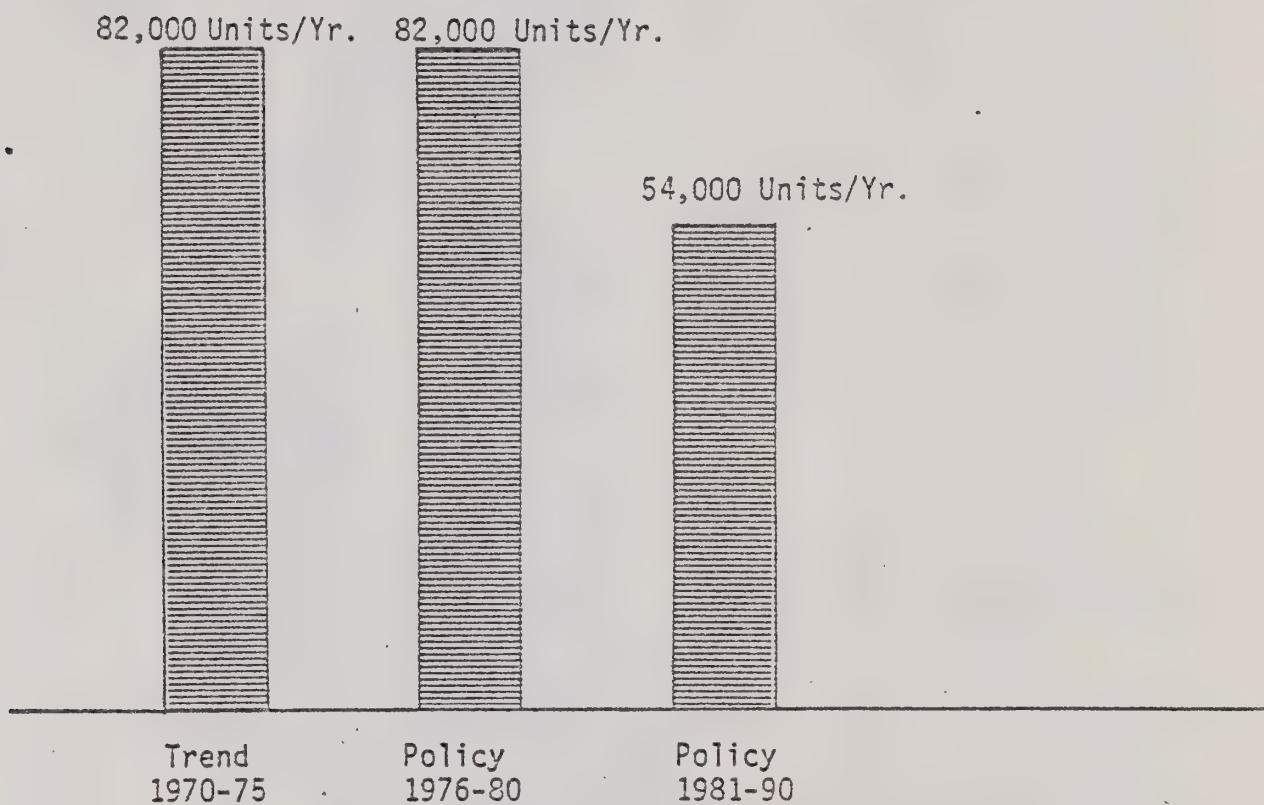
Although the rate of growth is slowing, the population in the SCAG region is expected to grow well into the next century. New lifestyles and the changing age composition of the population are causing the rate of household-formation to exceed population growth. About 746,000 new housing units are needed by 1990 to serve new households. Over 122,000 dilapidated units currently need to be replaced, and this number may well increase to 200,000 units by 1990. In addition, 23,000 of the region's 238,000 overcrowded households are estimated to constitute a demand for additional housing units. Altogether, between 868,000 and 946,000 new units are needed by 1990. Housing production should average about 82,400 units each year between 1975 and 1980, and about 54,400 units per year between 1981 and 1990. Housing production in the SCAG region averaged 82,000 units each year between 1970 and 1975. Though this average was only 2% less than the new construction pace between 1960 and 1970, the range of annual production was very wide indeed. The high point of the five-year period was 1972, when 117,000 units were built. But in 1974 and 1975, only 49,000 units were built each year.

While new construction increased to 88,000 units in 1976, this recent low level of new construction is particularly important to regional growth policy. The growth policy projects a faster growth in the need for housing units than population growth would alone dictate. Average household size is projected to drop from 2.61 persons per household in 1977, to 2.59 in 1990, meaning more one- and two-person households will be formed. The demand for new units is expected to increase sharply between 1975 and 1980 before gradually tapering off from 1981 through 1990. Further, as mentioned above, there is a backlog of units which need to be replaced in the region.

In short, the demand for new units must be met now and in the near future if 1990 housing goals are to be achieved. If the demand is not met, the cost of shelter will rise accordingly (sound, desirable units becoming scarcer and scarcer). In terms of new construction, the 1976 output must be sustained over the next few years.

ANALYSIS OF ANNUAL AVERAGE NEW CONSTRUCTION

FIVE-COUNTY REGION



DATA

	1970	71	72	73	74	75	1976-80	1981-90
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o Actual 1970-75	85	99	116	92	49	49		
	(Average = 82,000/yr)							
o Trend (70-75) Projection							82	
o Policy Forecast (gross)*							82	54

Source: Construction Reports, Security Pacific Bank
SCAG-76, Southern California Association of Governments

* Gross includes units built to replace units demolished (sound and unsound) and units built on land not previously developed. SCAG 76: Growth Forecast Policy forecasts only net housing units added, which does not include new units which only replace demolished units. SCAG-76, for example, shows for 1975-80 an annual production rate of 56,400, whereas the Urban Reinvestment Study shows a need for 82,000 units/yr.

MAP 7



OBSTACLES TO MEETING NEEDS

Sustaining regional housing production at about 82,400 units per year between 1975 and 1980 will be difficult for several reasons:

1. Developable land is becoming scarce, and so more costly.
2. Older urban areas, where residential revitalization is sorely needed, are often unattractive and undesirable locations for new residential development. Typically, their proximity to job and cultural centers make most older urban areas somewhat desirable from a travel-time and energy standpoint. But high crime rates, reputedly poor schools, highly polluted air, lack of adequate open space, and insufficient access to commercial shopping areas, make these areas less attractive. In many cases, the land-use pattern, existing plan of zoning, or the level of public facilities and services are major deterrents to new development in these areas. New construction frequently requires the assembly of land parcels, the demolition of existing substandard units (and the displacement/relocation of low- and moderate-income households which presently occupy most of the units needing replacement) and the upgrading of entire neighborhoods...all of which are costly, both in economic and social terms.
3. The cost of new housing is already beyond the means of 80 % of the region's households. (See Cost and Distribution Section). Hence, the need for new housing is primarily a need for lower- and middle-income housing, while new housing production is typically geared to middle- and upper-income households.
4. The supply of mortgage capital to the residential sectors of the economy has historically been uneven, often falling below levels needed to meet new housing demand. The federal government must be urged to make an adequate, predictable, and steady flow of capital available for housing. Short of this, however, new sources of mortgage capital must be found.

GOAL

NEW RESIDENTIAL CONSTRUCTION SHOULD BE ADEQUATE TO MEET FORECAST DEMAND AND THE NEED FOR REPLACEMENT HOUSING IN EACH JURSIDICTION SO THAT SHORTAGES WHICH FORCE HOUSING PRICES UP AND NECESSITATE OVERCROWDING ARE AVOIDED. NEW HOUSING SHOULD ALSO PROVIDE AN INCREASED CHOICE OF UNIT TYPES AND PRICES.

OVERALL OBJECTIVES

To accomplish regional housing production goals, SCAG and all local jurisdictions must:

1. Sustain the production of new housing in the region at about 82,400 units each year between 1975 and 1980.

To do this vigorous efforts must be undertaken to:

- o Insure that the limited remaining vacant land in outlying areas designated for urban development is well planned and developed, perhaps at a slightly higher density than previously anticipated, to provide needed new housing without extending the "sprawl" effects of single family tract developments into areas not yet served by public infrastructure and services.
- o Stimulate reinvestment and new housing production in older deteriorated urban areas. Special measures must be taken to assure that adequate housing for lower income households is provided as part of any reinvestment plan.
- o Facilitate the development of more housing units at lower prices than are currently available. This will certainly mean creating new housing at a higher density and with more style and amenity options than in the past. It may also mean development of a smaller, "basic" single family house in some areas. The primary objective in either case is to provide more desirable housing unit choices at more widely affordable prices.
- o Work vigorously to provide a more adequate and even flow of housing capital to the region. The federal government must be urged to provide a more even flow of capital to the housing market. Other sources of capital, such as public and private pension funds, must be utilized to foster housing production when the supply of private funds for housing investment is deficient.

POLICIES AND POLICY-ACTIONS

Housing Production

POLICY 3

SCAG SHALL PROMOTE HOUSING PRODUCTION IN APPROPRIATE AMOUNTS IN THOSE AREAS IDENTIFIED AS MOST NEEDY BY THE SCAG GROWTH POLICY, REGIONAL HOUSING ALLOCATION MODEL, AND URBAN REINVESTMENT STUDY.

- *3.1 SCAG SHALL DISCOURAGE HOUSING PRODUCTION THAT EXCEEDS GROWTH POLICY LIMITS ON THE URBAN FRINGE.
- *3.2 SCAG SHALL ENCOURAGE HOUSING PRODUCTION IN AREAS NEEDING REINVESTMENT TO REPLACE DILAPIDATED UNITS AND MEET GROWTH NEEDS.
- *3.3 SCAG SHALL ENCOURAGE THE DEVELOPMENT OF NEW CONSTRUCTION METHODS AND HOUSING TYPES TO INCREASE THE HOUSING SUPPLY FOR ALL SEGMENTS OF THE POPULATION.

-Coordination of Plans and Reviews-

POLICY-ACTION 3A

SCAG SHALL REVIEW ALL ITS OWN COMPREHENSIVE PLAN ELEMENTS, AND ALL STATE AND LOCAL PLANS AND PROPOSALS, FOR THEIR CONTRIBUTION TO MEETING THE REGION'S HOUSING GOALS. SCAG SHALL ALSO ENCOURAGE LOCAL JURISDICTIONS TO REVIEW THEIR OWN GENERAL PLAN ELEMENTS FOR THEIR CONTRIBUTION TO MEETING THE REGION'S HOUSING GOALS.

SCAG's A-95 review function is to coordinate the planning and development of the region in accordance with adopted regional goals and policies. SCAG now reviews all local applications for state and federal housing and community development moneys for their conformance to regional policies. SCAG also reviews local applications for non-housing related moneys for their potential impact on the regional housing market. There are currently no criteria or mechanisms for ranking applications (other than for assisted housing), however, to give those which further the achievement of regional housing production goals priority over those which do not.

POLICY-ACTION 3B

SCAG SHALL DEVELOP A RANKING SYSTEM TO USE IN REVIEW OF ALL FUNDING APPLICATIONS. IN ADDITION TO CRITERIA SPECIFIC TO THE PARTICULAR TYPE OF FUNDING, THE RANKING SYSTEM SHALL GIVE PRIORITY TO THOSE PROJECTS THAT ADDRESS THE MAJOR ISSUES SET FORTH IN THE REGIONAL HOUSING STRATEGY.

POLICY-ACTION 3C

IN THE A-95 REVIEW PROCESS, SCAG WILL CONSIDER APPROVING PROPOSALS WHICH CONFLICT WITH OTHER SCAG POLICIES ONLY WHEN THE PROPOSED PROJECT WILL PROVIDE HOUSING FOR LOW- AND MODERATE-INCOME HOUSEHOLDS.

-Pension Funds-

Pension funds, if used carefully, are a possible resource to stimulate housing production. The state has control, through appointed boards of the two major pension funds -- Public Employees Retirement System (PERS), and State Teachers Retirement System (STRS) -- of some \$15 billion in employee retirement funds. The first responsibility of the state and the managers of retirement system funds is to secure financial returns from investment sufficient to meet future obligations and to provide adequate safety from risk. Housing investments can meet these criteria. Both PERS and STRS regularly invest in housing, both in California and throughout the nation. A greater share of their moneys should be used to promote needed housing in California, and to assist the programs of the California Housing Finance Agency.

POLICY-ACTION 3D

SCAG SHALL URGE ALL PUBLIC AND PRIVATE RETIREMENT-FUND SYSTEMS TO INVEST MORE OF THEIR ASSETS IN HOUSING, PARTICULARLY HOUSING FOR LOW-AND MODERATE-INCOME HOUSEHOLDS.

-More Efficient Use/Modification of Existing Units-

Modification or change in use of existing large homes can provide increases in the housing stock. About 294,000 units in the region are "under-occupied". Many of these homes would be suitable for occupancy by more than one household group with little or no modification. Changing lifestyles have often made these otherwise standard units obsolete.

In other cases, subdivision of larger homes into several units could produce additional units at far less cost than new construction. Such modifications make more efficient use of the region's existing housing stock and infrastructure, and they conserve energy and construction materials.

Where a large home is modified to make an unused bedroom and bath into a rental unit, an additional source of income could also be provided to small (one or two person) moderate- or middle-income households who have been forced to keep homes that are too large for them because of increasing prices and rents on smaller homes, and who must pay ever increasing property tax bills nonetheless. The additional income, together with the additional income tax deductions allowed for improvements to rental property, would also help encourage maintenance and rehabilitation.

* "Under-Occupied", as used here, refers to owner-occupied units with at least one bedroom and one bath beyond that needed by the current occupant (estimated from 1970 Census of Housing).

Although not every owner of an "undercrowded" unit would want to rent out rooms or subdivide his/her house, many owners could benefit from this option. Local zoning regulations generally preclude this potentially useful modification of the existing housing stock, however, and multiple-household use of larger units is forbidden by most localities. A simple solution could be to revise occupancy standards to specify an allowable number of persons per room, rather than the relationship of persons (or the number of households) allowed per unit.

POLICY-ACTION 3E

SCAG SHALL ENCOURAGE LOCAL JURISDICTIONS TO REVISE ZONING AND HOUSING CODES TO ALLOW:

- SUBDIVISION OF LARGER HOMES
- MULTIPLE-FAMILY USE OF LARGE SINGLE UNITS
- MODIFICATION OF OWNER-OCCUPIED UNITS TO INCLUDE SMALL RENTAL UNITS

ISSUE 3: QUALITY

INTRODUCTION

The quality of the region's housing stock depends on several factors: its original construction quality; how well it is maintained over time; changes in housing standards and lifestyles; and how well neighborhoods function or are perceived to function by residents or potential residents. That is, the quality of a housing unit is determined by its physical characteristics, its functional adequacy, and its neighborhood environment.

The planning problem is to assure that units are well constructed, maintained in good condition over time, modified when necessary to make them more suitable to modern needs, and situated in neighborhoods which are aesthetically pleasing, safe, and well served by both public and private services and facilities.

NEEDS

Most residents of the SCAG region now live in sound housing, situated in desirable neighborhoods. Their homes and neighborhoods are among the region's most valuable man-made resources. An increasing percentage of the region's older housing stock is in need of replacement or substantial rehabilitation. Units have deteriorated over the years due to a variety of factors including: poor original construction quality, and outflow of public and private investment capital from older to newer areas, the neglect of landlords and/or the inability of residents in older areas to afford adequate maintenance. As housing units deteriorate so do whole neighborhoods become blighted, undesirable places to live. About 324,000 housing units currently need substantial rehabilitation, and as many as 756,000 will need rehabilitation by 1990 if current trends continue. Nearly all units needing or expected to need rehabilitation are low-valued units occupied by lower-income households. And about 71% of all units needing rehabilitation are rental units.

The future quality of the region's housing stock depends on several inter-related factors:

1. The quality of new units built in the future.
2. The maintenance and rehabilitation of existing units (which is dependent on the ability and motivation of owners, renters, and landlords to maintain and rehabilitate them over time); and
3. The quality of neighborhoods (which affects whether individual owners and lenders decide it is financially worthwhile to maintain or invest in an area).

These factors must be addressed if the residents in the SCAG region are to live in sound housing in desirable neighborhoods in 1990.

As mentioned earlier, between 868,000 and 946,000 new housing units must be built over the next twelve years to serve new households and to replace dilapidated units. These new units will constitute between 18% and 20% of the 1990 housing stock. They must be built to meet the needs of moderate and middle income households, and they must be built to last. They must also be built to conserve natural resources such as prime agricultural land, water, electricity, and natural gas. Further, they must provide increased access to jobs, shopping, schools, parks, hospitals, and other essential services and facilities, to minimize the need for long commutes and excess car trips. About two-thirds of all constructed units between now and 1990 should be built in urban fringe areas and in desert and rural communities. The remaining third should be built in Reinvestment Cities and Communities, and as infill housing in Potential Reinvestment Cities and Communities.

The maintenance of sound units and rehabilitation of rehabilitable units is an even more crucial concern. Housing which is well maintained can last indefinitely. But house maintenance and repairs cost a great deal of money, and it is for lack of adequate money that about 40% of the region's housing stock, or 1.5 million units, are highly susceptible to deterioration and/or dilapidation. These units constitute nearly the entire stock of units affordable by the region's ever growing number of lower-income households. Low-valued units are frequently old, requiring special and complicated maintenance and repairs. They cannot be replaced at prices low- or even moderate- and middle-income households can afford, however, and thus must be preserved.

If the housing maintenance needs are addressed now, about 432,000 units, or 9% of the 1990 housing stock, will have been spared the expense of substantial rehabilitation. And if current rehabilitation needs are met promptly, about 78,000 units, or 2% of the 1990 housing stock, will have been spared the need for complete replacement.

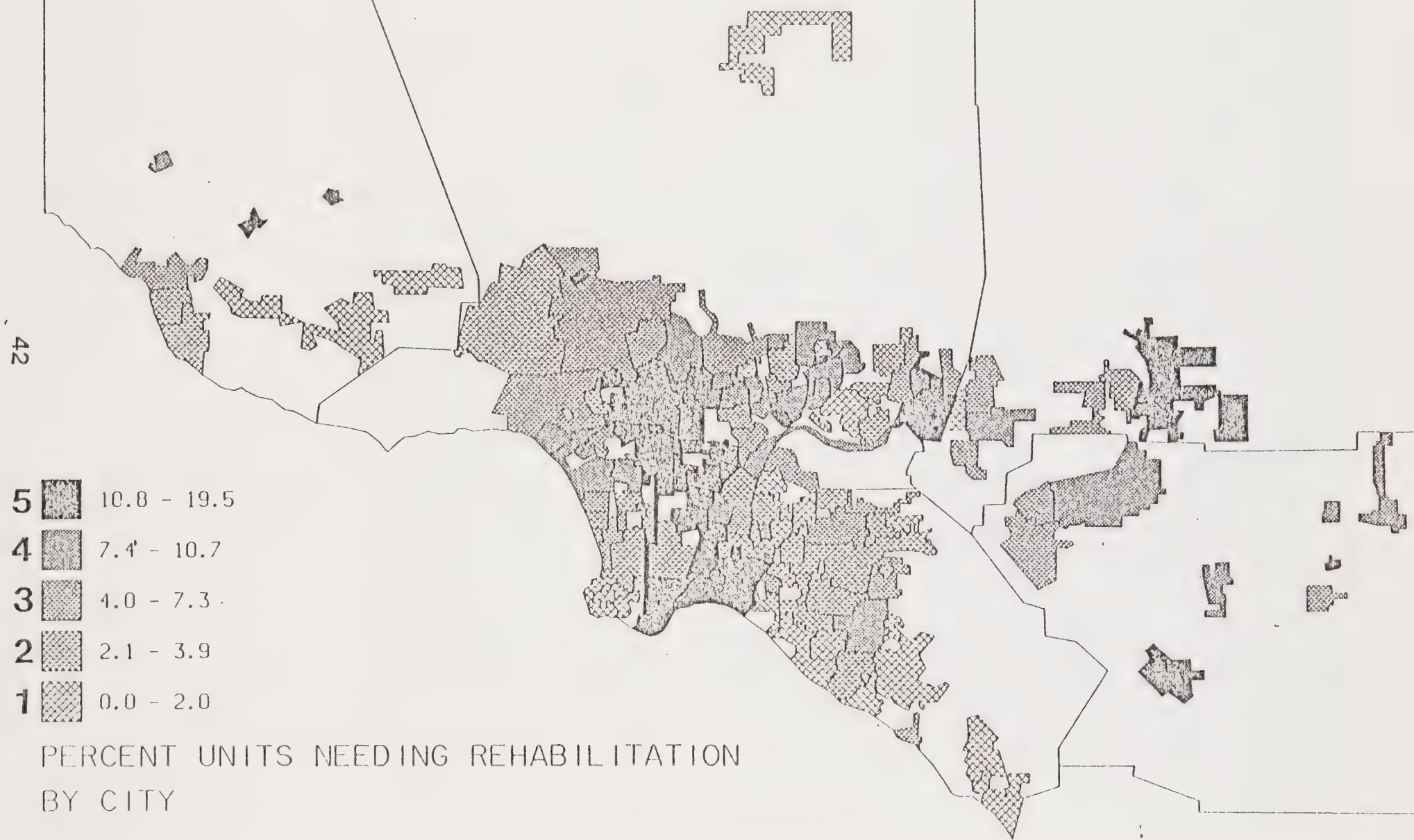
Rehabilitation costs are generally between \$3,000 and \$7,500 per unit. Replacement costs are new construction costs, averaging between \$40,000 and \$60,000 per unit. Current rehabilitation needs for the region are between \$1 billion and \$2.5 billion. Without sufficient maintenance and rehabilitation, 1990 rehabilitation and replacement costs will be somewhere between \$5.4 billion and \$10.3 billion. Most low-valued units needing maintenance and/or rehabilitation are located in Reinvestment Cities and Communities and Potential Reinvestment Cities and Communities.

* "Infill housing" refers to units built on vacant lots adjacent to developed properties.

Residential neighborhoods derive their character in part from the quality of their housing units, and in part from the quality of public and private facilities and services (especially schools), the environmental and aesthetic qualities of the area, the degree of safety and security known or perceived to exist there, and the quality of community life. Many neighborhoods are deficient in one or several of these areas. Neighborhood quality is a key determinant in the cost of housing. Regardless of its size, age, or general condition, housing in well-serviced neighborhoods with clean air and pleasant surroundings, little threat of crime, and an active sense of community is worth much more to prospective residents, and financial institutions, than comparable housing in rundown under-serviced neighborhoods with bad air, noisy or deteriorated streets, high crime rates, and little sense of community.

Neighborhood quality deficiencies occur most frequently in Reinvestment Cities and Communities, but are also evident to a significant extent in newer, growing communities. Many newer areas with inadequate access or poorly planned capital improvement programs will likely face the problems of the "Reinvestment" communities much sooner than those with better neighborhood support systems.

MAP 8



OBSTACLES TO MEETING NEEDS

1. Very little stress has been placed on maintenance of existing units. This problem is manifested in several ways:
 - Construction industry skills and political direction are almost exclusively in new construction.
 - Many owners are not aware of maintenance and repair requirements of their homes or rental units.
 - The regional housing consumer's preferences are geared to newer homes, although recently existing homes are becoming more acceptable.
2. Almost no public policy or action has been directed at encouraging maintenance and repair. For example, California requires local code enforcement*, yet fewer than 10% of the cities in the SCAG region have active code enforcement programs and only one has an occupancy inspection ordinance.* All localities in the region have carefully prepared codes for new construction; almost none have developed standards for existing units. Tax incentives have often been used to encourage new construction or assist in home purchase; recently some have been used to encourage or assist rehabilitation, but few tax policies encourage maintenance.
3. A unit deteriorates when its owner lacks the financial ability to maintain it. Lower-income owner-occupants can seldom afford the cost of maintenance required in their typically older and/or poorly built units (i.e., repainting, minor plumbing repairs, etc.). Lack of incentives (i.e., certainty of increased profits) and/or disincentives (e.g., threat of profit losses) also prevent owners of lower priced rental units from adequately maintaining their properties. This is especially true where tenants cannot afford to absorb maintenance costs in the form of rent increases, and/or where rental units occupy land zoned for a higher density use and speculation is the primary motivation of owners. Low-income tenants seldom have either the financial ability or the motivation to maintain the structural quality of their rental units. In many cases, fear of possible rent increases prevent tenants from notifying their landlords of essential maintenance needs.

* See Local Programs Component of the Implementation Plan.

4. Units needing rehabilitation most often do not receive the attention they need for the same reasons that units are not maintained -- low occupant income or poor neighborhood quality. Further, most lending institutions will not make rehabilitation loans (which typically cost more than new mortgage loans) even to qualified buyers in neighborhoods where housing deterioration is widespread unless it is to build to a higher density. As long as rehabilitation and mortgage loans are unaffordable or unavailable in some areas, the region's rehabilitation needs will worsen. The threat of increased property taxes being imposed as a result of improvement efforts is also an obstacle to rehabilitation.
5. Because of the many financial obstacles to rehabilitation of lower-income units, the dearth of skilled rehabilitation contractors and laborers, and the often unpredictable structural problems which occur in rehabilitation, a well developed rehabilitation industry does not yet exist in this region.
6. Many communities lack an adequate tax base to maintain present levels of public services, much less improve the services provided to deteriorating areas. (See Urban Reinvestment Study).
7. Newer communities attract wealthy and middle-class residents away from older areas which need both public and private investment to adequately maintain and rehabilitate homes and neighborhoods, support local shopping, pay taxes, etc. Newer communities also attract industries which provide jobs away from older areas.
8. Racial and ethnic discrimination also keeps many higher-income households away from older urban areas where minority populations are concentrated. The result is less demand for existing housing in these areas, which in turn keeps lenders out. Redlining is frequently a result of racial and ethnic discrimination.
9. The environmental and aesthetic characteristics of many residential areas make them unhealthy and undesirable to live in. Most cities in the region suffer moderate to severe air pollution problems. But some areas, notably Reinvestment Cities and Communities, also suffer severe noise pollution from street or air traffic and/or proximity to freeway corridors. These same areas also generally lack amenities such as well-landscaped parks or medians, trees, etc., which make neighborhoods attractive to residents who can afford to choose where to live.
10. Residential security and safety are virtually absent in some areas of the region, again notably in Reinvestment Cities and Communities. Crime is a major deterrent to housing investment or reinvestment.

GOAL

NEW UNITS SHOULD BE BUILT TO LAST, TO BE EASILY MAINTAINED, AND TO BE RESOURCE AND ENERGY-EFFICIENT. EXISTING UNITS SHOULD BE MAINTAINED IN GOOD REPAIR. DETERIORATED UNITS SHOULD BE REHABILITATED PROMPTLY. ALL NEIGHBORHOODS SHOULD HAVE ADEQUATE AND COORDINATED PUBLIC AND PRIVATE SERVICES AND FACILITIES, CLEAN AIR, QUIET AND PLEASANT SURROUNDINGS, REASONABLE ASSURANCES OF SAFETY AND SECURITY, AND A MEANINGFUL SENSE OF COMMUNITY LIFE.

OVERALL OBJECTIVES

To accomplish regional housing quality goals, SCAG and its member jurisdictions must:

1. Promote new high-quality housing that conserves land and resources.
2. Maintain the existing stock in good condition, preserving affordability.
3. Rehabilitate deteriorated units, preserving affordability.
4. Assure the provision of adequate public and private facilities and services in all residential areas.
5. Promote environmental and aesthetic quality in all residential areas.
6. Assure residential security and safety.

POLICIES AND POLICY-ACTIONS

New Unit Quality

* POLICY 4

SCAG SHALL PROMOTE THE DEVELOPMENT AND CONSTRUCTION OF NEW TYPES OF HIGH-QUALITY, EASILY MAINTAINED HOUSING WHICH EFFICIENTLY USES SCARCE URBAN LAND AND NATURAL RESOURCES.

-Energy Conservation and Residential Development-

There is increasing concern over the rising demand for, and dwindling supplies of, non-renewable energy resources. There is some speculation, based on the available data and reasonable forecasts of future demand, that if energy usage continues at the present rate, shortages will affect the costs of residential development, maintenance, and utilities severely within a decade. The effect of shortages of fuel oil and natural gas have already impacted the location, design, and quantity of new development, and the maintenance and utility costs of existing housing.

The most pervasive effect of energy shortages will be seen in greatly inflated prices of energy, resulting in still higher costs of building, buying, and maintaining housing.

Patterns of residential development dictate the need to transport people and services from place to place. Orderly and planned contiguous growth will reduce the need for transportation energy; site planning and building design can substantially reduce home energy use.

Local housing policies relating to clustering, Planned Unit Developments*, increasing densities in urbanized areas, innovative site plans and building types -- all should help conserve energy used for housing. SCAG should promote these policies to the maximum extent possible.

SCAG should also support legislative programs which promote energy conservation in housing construction and maintenance.

POLICY-ACTION 4A

SCAG SHALL PROMOTE ENERGY CONSERVATION IN THE CONSTRUCTION AND REHABILITATION OF HOUSING BY DEVELOPING MODEL CODES AND ORDINANCES, AND BY SUPPORTING NEW AND EXISTING LEGISLATION RELATED TO THIS GOAL.

* See Local Programs Component of the Implementation Plan

New housing should explore alternative forms of energy and reduce the use of oil and natural gas. Planning and development of alternative forms of energy, such as solar energy and windmills, and the development of alternative forms of housing (such as underground dwellings) using renewable resources, is encouraged. Solar and underground housing have been developed in a variety of styles and forms that are attractive and marketable. These experiments should be encouraged, with emphasis on finding ways to produce housing that will be acceptable to consumers, financial institutions, and communities and yet affordable by people of a range of incomes. Where necessary, codes and ordinances should be amended to make construction of new and innovative energy conserving housing possible.

*POLICY-ACTION 4B

SCAG SHALL SPONSOR OR ENCOURAGE TESTING OF ALTERNATIVE HOME-ENERGY SOURCES, AND NEW HOUSING FORMS THAT CONSERVE ENERGY; THE GOAL OF SUCH TESTING IS ENERGY-EFFICIENT HOUSING AT AFFORDABLE PRICES.

POLICY-ACTION 4C

SCAG SHALL DEVELOP DENSITY STANDARDS FOR ENERGY-EFFICIENT BUILDINGS AND LAND USE OF ALL TYPES; AND ENCOURAGE, THROUGH ITS HOUSING PROGRAM, RESIDENTIAL DEVELOPMENTS THAT MEET THESE STANDARDS.

Maintenance of Existing Units

* POLICY 5

SCAG SHALL PROMOTE THE MAINTENANCE OF EXISTING HOUSING -- PARTICULARLY SOUND, LOW-VALUED UNITS THAT PROVIDE AFFORDABLE HOUSING FOR LOW- AND MODERATE INCOME HOUSEHOLDS.

-Code Enforcement-

When deferred, repairs tend to accumulate to the point where major costly rehabilitation is needed. Worse, homes may become dilapidated and have to be replaced. When a home or apartment building is allowed to deteriorate, all adjacent structures are affected. If neighbors cannot persuade the owner to bring deteriorated units back up to decent standards, they may be inclined to let their own properties begin to deteriorate. This is one way that whole neighborhoods become undesirable places to live. Enforcement of local housing codes can prevent the need for expensive rehabilitation and encourage good property maintenance.

HUD, and most lenders, require that a structure meet Housing Code standards before they will make or insure a mortgage loan. Some homes have to be renovated before they can meet the Housing Code. However, building inspectors, being human, do not always act in a uniform way. One inspector may allow a hazardous condition to remain (contrary to the specifications of the Housing Code), while another may require that the new construction standards (of the local Building Code) be met. The costs in these two instances would be very different, and neither would achieve the intent of maintaining residential properties in good condition.

The Local Programs Component of the Implementation Plan describes code compliance and property-maintenance programs and their use in the SCAG region.

* POLICY-ACTION 5A

SCAG SHALL ENCOURAGE ALL LOCAL GOVERNMENTS TO DEVELOP ACTIVE CODE ENFORCEMENT PROGRAMS, AND TO DEVELOP AND ENFORCE PROPERTY MAINTENANCE ORDINANCES.

Once code deficiencies have been identified, public officials, landlords, and home-owners face the problem of ensuring that necessary repairs and improvements are made. When homeowners or landlords have sufficient resources, the issue becomes a matter of public and governmental determination to protect the rights and welfare of tenants, and to maintain the stability of residential areas.

-Revenue and Taxation Codes-

Federal tax laws condone the provision of substandard housing. For example, some so-called "slumlords" buy apartment buildings as tax write-offs. These owners have no incentives to maintain their properties in good condition, and may abandon them, or sell them to someone else, if the locality in which the units are located tries to enforce its housing codes. California law prohibits owners of substandard rental dwellings from receiving state income-tax deductions for interest, taxes, and/or depreciation on income received from substandard units, but this provision of the law is rarely used.

* POLICY-ACTION 5B

SCAG SHALL ENCOURAGE LOCAL JURISDICTIONS TO USE SECTION 17299 OF THE CALIFORNIA STATE REVENUE AND TAXATION CODE WHICH PROHIBITS OWNERS OF SUBSTANDARD RENTAL UNITS, CITED FOR CODE VIOLATIONS, FROM RECEIVING STATE INCOME TAX DEDUCTIONS WITH RESPECT TO SUCH DWELLINGS.

-Occupancy Inspection Ordinances-

One promising method of code enforcement is to use occupancy inspection ordinances. Where such ordinances have been adopted, the municipality issues a certificate of occupancy each time a house or dwelling unit is sold or rented. Issuance of such a certificate requires a "pre-occupancy" inspection to determine that the unit meets local housing codes. With limited municipal resources, this approach provides a system that can help assure that housing is properly maintained over time.

Occupancy inspection programs can be even more important in newer communities than in older communities, as they are most effective in preventing deterioration.

* POLICY-ACTION 5C

SCAG SHALL ENCOURAGE ALL JURISDICTIONS TO ADOPT LOCAL OCCUPANCY INSPECTION ORDINANCES.

HUD should also improve their inspection procedures so that needed repairs are known to the purchaser when buying a home using FHA insurance.

It is vitally important that the cost implications of code enforcement are considered in the development of maintenance programs. Low-income owner-occupants will in many cases need financial assistance to make proper repairs, and low income tenants cannot be expected to absorb the costs of eliminating major code violations passed on as rent increases. Methods of reducing the cost impacts of code enforcement are discussed in the following section on rehabilitation, and in the Local Programs Component of the Implementation Plan. In some instances code enforcement efforts will require relocation of low-income residents. All local governments should include provisions for relocation housing in their code enforcement and rehabilitation programs.

* POLICY-ACTION 5D

SCAG SHALL ENCOURAGE THAT PROVISIONS FOR RELOCATION HOUSING BE INCLUDED IN ALL LOCAL CODE ENFORCEMENT AND REHABILITATION PROGRAMS.

Rehabilitation of Deteriorated Units

There are currently about 324,000 units needing rehabilitation in the SCAG region. About 94,000 (29%) are owner-occupied; 230,000 (71%) are renter-occupied. The highest concentrations of these units are in Reinvestment Cities and Communities and Potential Reinvestment Cities and Communities. The cost of rehabilitating these units is currently somewhere between \$1 billion and \$2.5 billion. If allowed to deteriorate further, about one fourth will become dilapidated by 1990. The combined cost of rehabilitation and replacement of these same units will then be between \$3.8 billion and \$6.5 billion.

As mentioned earlier, most units needing rehabilitation are low-valued units occupied by lower-income households. As these units make up about one-fifth of the housing available to lower-income households it is essential that new strategies and new sources of money be developed to accomplish their rehabilitation while minimizing the cost impacts of rehabilitation.

Low-income owner-occupants should be eligible for assistance in the form of rehabilitation grants or low-interest loans. Assistance and incentives should also be provided to owners of low-income rental units to help rehabilitate their units without necessitating huge rent increases. Low-interest rehabilitation loans could be made available to owners of deteriorated rental units in exchange for their agreeing to limit rent increases and/or not to resell rehabilitated properties for a period of five or more years.

* POLICY 6

SCAG SHALL PROMOTE REHABILITATION OF DETERIORATED HOUSING PARTICULARLY LOW-VALUED UNITS THAT PROVIDE HOUSING FOR LOW- AND MODERATE-INCOME HOUSEHOLDS

Property Tax Incentives for Rehabilitation

State lawmakers are considering legislation which would exempt the value of rehabilitation improvements (up to \$12,000 per unit) from property assessment increases for tax purposes for up to five years, providing the property is not sold in the interim. This legislation, as presently drafted, would provide assistance only to low-income owner-occupants. SCAG should urge that this legislation be expanded to provide this same incentive to rehabilitation for owners of low- and moderate-income rental units on the condition that rents are not increased beyond the amount required to finance the rehabilitation, and providing the property is not sold for a period of five years.

The property tax could also be used as a way of enforcing codes, by giving a forgiveness or deferral to owners who do repairs or placing an extra assessment on those who do not.

* POLICY-ACTION 6A

SCAG SHALL URGE NEW STATE TAX LAWS THAT PROVIDE INCENTIVES TO REHABILITATE LOW- AND MODERATE-INCOME UNITS AND KEEP THEM AVAILABLE TO LOW- AND MODERATE-INCOME HOUSEHOLDS.

-Rehabilitation Financing for Low Income Units-

New methods of financing should be developed to facilitate rehabilitation of low-income units in a manner which preserves their availability to low-income households. Grants are one such method which would certainly accomplish the desired end. The current cost of providing rehabilitation grants to all low income owner-occupants of deteriorated housing in the region is between \$202 million and \$705 million. If sufficient funds were available to provide such grants they could be recovered, at least in part, by placing a lien for the amount of the grant on each rehabilitated property, due and payable at the time of sale. The value of the lien could also be depreciated over a period of five to ten years as an incentive for existing owners to keep their properties rather than sell them.*

Owners of deteriorated low-income rental units should also be eligible for rehabilitation assistance. Low-interest rehabilitation loans could be made available to owners of deteriorated rental units in exchange for their agreeing not to increase or resell rehabilitated properties for at least five years.

Both methods require the development of new sources of public money. Rehabilitation loans are currently available from private lending sources. Unfortunately, they are available only at high interest rates, frequently 18% and above.

The public costs of rehabilitation could be substantially reduced if rehabilitation loans were available at cheaper rates from private lending sources.

POLICY-ACTION 6B

SCAG SHALL STRONGLY SUPPORT, AND RECOMMEND INCREASED FUNDING FOR, GOVERNMENT PROGRAMS THAT ASSIST REHABILITATION OF DETERIORATED UNITS AND KEEP THEM AVAILABLE TO LOW- AND MODERATE-INCOME HOUSEHOLDS.

* See Local Programs Component of the Implementation Plan

To further increase the numbers of low- and moderate-income units available in the region and to improve the quality of housing and living environments for current assisted-housing residents, priority should be given to revitalization of the existing low- and moderate-income projects where this is needed. All possible steps should be taken to make these already existing developments vital locations for the low- and moderate-income people who prefer to live in these areas. This should be accomplished by placing priority on rehabilitation and upgrading of buildings, the introduction of economic mix by making the developments sufficiently desirable so as to attract tenants of higher incomes, and the provision of additional services and recreational space.

POLICY-ACTION 6C

SCAG SHALL URGE THAT EXISTING ASSISTED DEVELOPMENTS BE REVITALIZED BY ADDING ON-SITE SERVICES AND FACILITIES THAT MAKE THEM MORE ATTRACTIVE, AND THROUGH PROGRAMS WHICH FURTHER THE SOCIAL, ECONOMIC, AND RACIAL DIVERSITY OF RESIDENTS. THIS PROCESS WOULD MAKE USE OF REHABILITATION AND MODERNIZATION FUNDS, AND RENT ASSISTANCE PROGRAMS. SCAG SHALL ALSO URGE THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TO CONVERT ITS FORECLOSED PROPERTIES INTO ADDITIONAL ASSISTED HOUSING THROUGH THE SAME MEANS.

In addition to the need for new methods of financing rehabilitation, there is a need to disseminate information on existing methods of rehabilitation finance and the steps necessary to accomplish residential rehabilitation.

POLICY-ACTION 6D .

SCAG, WORKING WITH LOCAL AGENCIES, SHALL PREPARE AND DISTRIBUTE HAND-BOOKS ON HOUSING REHABILITATION -- INFORMATION ON FINANCING, PERMIT-PROCESSING, AND BUILDING TECHNIQUES -- TO HELP HOUSEHOLDS MAINTAIN AND IMPROVE THEIR HOMES AND NEIGHBORHOODS.

Neighborhood Quality

The quality of the region's housing stock is directly related to the quality of its neighborhoods. The quality of the neighborhood is as important as the quality of the unit itself to prospective tenants. The provision of adequate public and private services and facilities, the environmental and aesthetic qualities, and the sense of residential security and safety in each neighborhood are key determinants of its desirability.

* POLICY 7

SCAG SHALL ATTEMPT TO ASSURE THE PROVISION OF ADEQUATE PUBLIC AND PRIVATE FACILITIES AND SERVICES IN ALL RESIDENTIAL AREAS.

While little academic research has yet been done on the neighborhood preference characteristics of residents in the SCAG region, it is reasonable to assume from the choices people make in the housing market that neighborhoods with higher-priced homes are more "desirable" than those with lower-priced homes. This assumption is borne out by the 1974 HUD Annual Housing Survey of Neighborhood Quality. The study showed that Orange County residents tended to be more satisfied with their neighborhoods than were Los Angeles County residents. In 1974, the median home value in Orange County was 13% higher than in Los Angeles County; in 1976, the Orange County median was 15% higher.*

According to the HUD study, 90% of owner households in Orange rated their neighborhoods excellent or good, versus 81% in Los Angeles. Renter households held the same pattern: 75% in Orange rated their neighborhoods excellent or good, versus 65% in Los Angeles. Additionally, the data show that owners were more satisfied than renters with their neighborhoods.

Noise, crime, heavy traffic, and inadequate street lighting were the main undesirable conditions cited by homeowners. Noise was cited by some 53% of the owner households (50% in Orange, 54% in Los Angeles); crime was next, cited by about 23% of the owners (21% in Orange, 24% in Los Angeles). Renters most frequently cited noise, heavy traffic, and crime. Noise was cited by over half the renters (49% in Orange and 56% in Los Angeles). Heavy traffic was considered undesirable by 27% of Orange County renters, and 36% of renters in Los Angeles considered it a major problem.

Crime was a close third, cited by 25% in Orange and 29% in Los Angeles. Owners' and renters' perceptions of undesirable conditions varied little. Renters were a few percentage points higher in most categories than owners. The exception was heavy traffic, which was cited by a much higher proportion of renter households.

As evidenced by the overall neighborhood responses, the proportion of households citing undesirable conditions was higher in Los Angeles than in Orange by 2 to 11 percentage points.

* Residential Research Committee of Southern California, Home Price Trends in Southern California, 1976.

All residential areas need supporting facilities and services. Public facilities and services -- sewer and water systems, streets and highways, libraries, parks, schools, police and fire protection, trash collection -- are essential. So are private services and facilities. People need ready access to employment centers and commercial areas which include stores, banks, restaurants, movie theatres, etc. The orderly economic growth of the region and the quality of neighborhoods depend on how well residential development is coordinated with other land uses, facilities and services, and the kinds of public and private investment made in each community.

Residential developments in areas that lack these basic services and facilities restrict housing choice, especially for lower-income residents, the elderly, the young, and the handicapped for whom private transportation and other social services are necessary. Furthermore, development in the outlying areas of the region where many residential facilities and services are not yet available leads to high costs and inefficiencies; these services are provided only after the development has taken place. As development occurs in the peripheral areas, eventually highways, schools, sewage treatment plants and other urban-level services must be extended to those new scattered developments at a high cost to the new residents, and residents of the region as a whole. In sum, the process of leapfrogging development onto cheaper land in unserviced areas is inconvenient to its residents, inefficient in use of services and energy, wasteful in terms of land and water, and costly in the long run.

On the other hand, there are nearly 22,000 residential acres needing re-development in older urbanized areas which already have a full range of facilities and services. To provide for the most orderly and economic development and redevelopment of the region, residential development should take place only within areas already urbanized or well planned for future urbanization. Residential development is acceptable in rural areas where regional investments are not required.

-Newly Developing Areas-

In those parts of the region which do not yet have well developed urban infrastructure, residential development should be coordinated with plans for the provision of services and facilitates adequate to meet the needs of new residents.

POLICY-ACTION 7A

SCAG SHALL INSURE THAT HOUSING GROWTH IN LESS DEVELOPED AREAS IS COORDINATED WITH PLANS TO PROVIDE ADEQUATE SERVICES AND FACILITIES IN THESE AREAS.

-Older Urban Areas Needing Rehabilitation and/or Redevelopment-

In the region's older areas, services and facilities are more numerous, meeting a broader range of needs, than they are in the newer developing areas. In general, the quantity and quality of these services and facilities are good, both in the central cities and older suburbs. However, some problems do exist in certain neighborhoods of the older areas due to the age of the facilities and the inequitable distribution of some services -- e.g., social or medical services may be inadequate, or facilities such as parks, streets, and sidewalks may have deteriorated. These problems are primarily the result of the lack of priority that has been given to reinvestment in center city facilities. To make the level of services and facilities adequate for the needs of current and expected new residents, a strong planning effort to assess the service and facility needs on a neighborhood-by-neighborhood basis will be required. Where physical facilities are old, or their use is no longer appropriate to the needs of nearby residents, these facilities may have to be replaced or substantially rehabilitated. Public programs and incentives for private investments are needed in the core neighborhoods to bring in substantial new investments to replace facilities that are inadequate or obsolete.

POLICY-ACTION 7B

SCAG SHALL ATTRACT PUBLIC INTEREST AND INVESTMENT TO OLDER AREAS NEEDING REINVESTMENT BY ENCOURAGING THE PROVISION OF SPECIAL SERVICES IN THOSE AREAS, AND URGING THAT OBSOLETE BUILDINGS AND FACILITIES BE REPLACED OR REHABILITATED.

-Redlining-

Through their mortgage and home-loan lending practices, financial institutions significantly determine where and at what price new residential development occurs and where home improvements are made. Builders' and home buyers' decisions are conditioned by the judgments of financial institutions as to where and to whom they will make loans.

Some institutions have been reluctant or even totally unwilling to finance home mortgages or home improvement loans in older, declining neighborhoods. The practice of denying loans to qualified buyers on the basis of the location of the property to be purchased or improved is called "redlining". Financial institutions must be rigorously encouraged to eliminate "redlining" and pursue strategies of continuous reinvestment in inner city neighborhoods. In addition, financial institutions may resist providing financing for lower-cost or subsidized housing. One way of stimulating the banks and savings and loan associations to have residential investment policies with social priorities is through pressures generated by the large depositors. Recently, some cities and city agencies have re-evaluated where they are placing their deposits in relationship to the financial institutions' lending practices. SCAG should encourage its member jurisdictions and all public agencies to deposit their funds only in financial institutions with a clearly demonstrated practice of investment which furthers metropolitan housing policies, such as making mortgage and home improvement loans in older center-city neighborhoods or providing financing for lower-cost housing in suburban areas.

POLICY-ACTION 7C

SCAG SHALL WORK TO ASSURE THAT MARKET-RATE MORTGAGE AND REHABILITATION LOANS ARE AVAILABLE ON EQUAL TERMS IN ALL NEIGHBORHOODS. MORE SPECIFICALLY, SCAG SHALL:

- REVIEW MORTGAGE LENDING AND OTHER PERTINENT DATA TO DEFINE AND IDENTIFY "MORTGAGE DEFICIENT NEIGHBORHOODS", AND SEE WHICH FINANCIAL INSTITUTIONS SUPPORT REGIONAL REINVESTMENT OBJECTIVES BY LENDING IN OLDER AREAS. SCAG SHALL ALSO PUBLISH REGULAR REPORTS ON LENDING IN THE REGION.
- SOLICIT SUPPORT FOR THE REGION'S REINVESTMENT OBJECTIVES FROM ALL LENDERS, DEVELOPERS, BUILDERS, REALTORS, AND TRADE UNIONS SERVING THE REGION, AS WELL AS FROM CONSUMER GROUPS AND LOCAL GOVERNMENTS.
- ENCOURAGE LOCAL JURISDICTIONS TO BANK PUBLIC FUNDS WITH THOSE INSTITUTIONS WHOSE LENDING PATTERNS SHOW ACTIVE SUPPORT OF "MORTGAGE DEFICIENT NEIGHBORHOODS".
- BANK ITS OWN PUBLIC FUNDS WITH THOSE INSTITUTIONS WHOSE LENDING PATTERNS SHOW ACTIVE SUPPORT OF "MORTGAGE DEFICIENT NEIGHBORHOODS".

Environmental and Aesthetic Quality

A high-quality living environment requires that residential development be protected from adverse environmental impacts, including noise, air pollution, and visual blight.

A variety of methods exist to alleviate or modify negative environmental impact. These include new building technologies, enforcement of more effective zoning regulations, elimination of incompatible uses by renewal or phase-out, buffering and screening techniques.

POLICY 8

SCAG SHALL FOSTER AND SUPPORT PROGRAMS THAT RELIEVE ADVERSE ENVIRONMENTAL IMPACTS (NOISE, AIR POLLUTION, VISUAL BLIGHT) ON EXISTING HOUSING, AND URGE THAT NEW HOUSING NOT BE BUILT IN AREAS WHERE SUCH IMPACTS ARE ALREADY AT UNACCEPTABLE LEVELS.

Residential Security and Safety

Fear of crime is an important determinant of where people choose to live and is particularly cited as one of the issues which must be dealt with in attempts to revitalize the center cities.

Experiments have shown that residential site design, a sense of community among residents, effective building management, and good police/community relations can substantially reduce criminal acts and lessen the fear of crime in residential developments. Planning for new residential developments should stress a comprehensive approach to providing for safety and security. In addition, existing housing, particularly in high crime areas, should be made safer and more secure. Security and safety should also be a major consideration in designing public facilities, open space, parking areas, walkways, and industrial and commercial areas.

POLICY 9

SCAG SHALL ENCOURAGE ALL HOUSING PROVIDERS TO USE PROVEN ELEMENTS OF LAND USE AND STRUCTURE DESIGN WHICH ADD TO THE SAFETY AND SECURITY OF RESIDENTIAL ENVIRONMENTS.

ISSUE 4: COST AND DISTRIBUTION

INTRODUCTION

The cost of housing relative to household income, and the distribution of housing opportunities within the region dictate housing affordability and availability for the region's four million households. As shown earlier, affordable housing opportunities do not exist for all households in the SCAG region. Prices and rents are too high, incomes too low, and discrimination against racial and ethnic minorities, families with children, the elderly, and the handicapped is widespread.

NEEDS

The gap between the cost of decent housing and what people can afford to pay is growing. This problem is true for existing as well as new housing. The national standard is that people should pay no more than 25% of their gross household income for all housing costs. This figure is based on having a minimum amount of money to pay for other basic necessities such as food, clothing, medical care and transportation. Similar standards are generally used by most lending institutions in determining what mortgage payments a family can be safely expected to meet. The 25% of income standard is slightly above what most Americans spend for housing.

Obviously, higher-income households can afford to pay a higher percentage of income for housing and still afford other necessities. They may spend more out of choice. However, low-income households are forced to spend very high proportions of their income for housing, because housing is not available at the prices or rents they can afford.

The SCAG Regional Housing Allocation Model estimates the number of households who cannot find affordable housing. As of 1976, there were almost 700,000 low- and moderate-income households in the SCAG region who were paying more than 25% of their income for rent or mortgage payments. The RHAM estimates these by city, household type, and for minority groups and female-headed households.

Many factors contribute to the cost of housing. FIGURE 9 shows the relative importance of these factors in the overall cost of owning or renting a home.

COMPONENTS OF HOUSING COST *

PRINCIPAL.....	23.0%
INTEREST (MORTGAGE FINANCING).....	40.0%
TOTAL DEBT SERVICE.....	63.0%
TAXES AND INSURANCE.....	24.0%
HEATING AND UTILITIES.....	13.0%
TOTAL OPERATING EXPENDITURES.....	37.0%
TOTAL.....	100.0%

* BASED ON PURCHASE OF A \$40,000 HOME AT 10% DOWN,
9% INTEREST, 25 YEAR LOAN

SOURCES: INSTITUTE FOR LOCAL SELF GOVERNMENT, SEPTEMBER
1975, "LOCAL GOVERNMENT'S ROLE IN HOUSING"

SCAG

The housing-cost problem has been growing dramatically, because housing prices have been rising much faster than incomes. Today the majority of new homes for sale in the SCAG region cost more than \$70,000. Only about 15% of the region's households can afford housing at this price. Equally dramatic is the rise in price of existing housing. FIGURE 10 shows what percentage of the region's owner-type housing stock was available in 1970 at six income levels, compared to how much housing is available at the equivalent income levels in 1977. This chart reflects only the existing stock and does not include new homes added since 1970. It shows that in 1970 a family with an income of \$10,000 could afford to buy nearly half of the houses in Southern California. The equivalent family in 1977 earns \$15,000 but can afford to buy only 14% of the region's houses. Middle-income people have also been affected; in 1970 a middle-income family (\$15,000) could afford 84% of housing. Altogether, about 1-1/2 million families who could have purchased a home in 1970 could not do so today. (These figures do not take into account higher interest rates, insurance rates, and property taxes which even further reduce the percentage of housing units available at each income level).

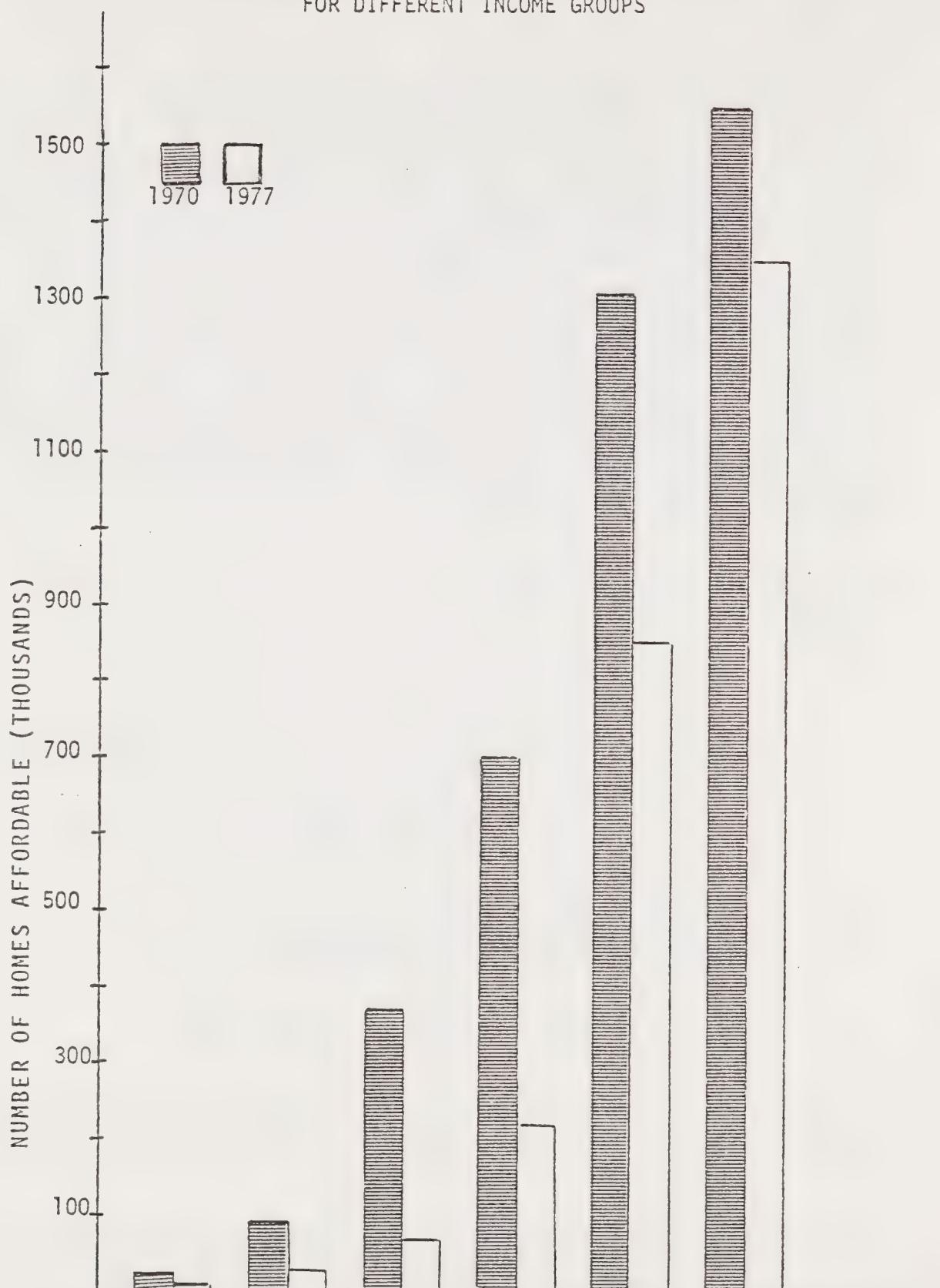
Many can find adequate housing by renting. However, the dramatic increase in the price of homes relative to incomes is causing many serious housing problems:

1. It puts tremendous pressure on the rental housing stock.
2. It prevents virtually all low-, moderate-, and most middle-income households from becoming homeowners. This particularly impacts younger families.
3. It causes property taxes to rise and thereby increases the costs of home ownership for many long-time owners, who now cannot afford to keep their homes.
4. As more money is drawn into mortgage payments and taxes, less is available for maintenance and repairs.
5. It drastically reduces mobility and choice even for current homeowners, even those with relatively high incomes.

Of the low- and moderate-income households who must pay more than 25% of income for housing, about 3/4 are renters. (About 1/2 of the region's total households are renters.) Most low-income households pay more than 40% of their incomes for rent.

Between 1970 and 1977, rents increased about 46% -- somewhat less than the overall cost of living and about equal to the increase in incomes. In the last two years, however, rent increases have begun to exceed the increases in both the cost of living and in household incomes. Thus an estimated 38,000 low- and moderate-income households who could find an affordable rental unit in 1975 could no longer find one in 1977.

Figure 10
CHANGE IN HOME OWNERSHIP OPPORTUNITIES
FOR DIFFERENT INCOME GROUPS



1970: \$3,000 \$5,000 \$7,000 \$10,000 \$15,000 \$25,000

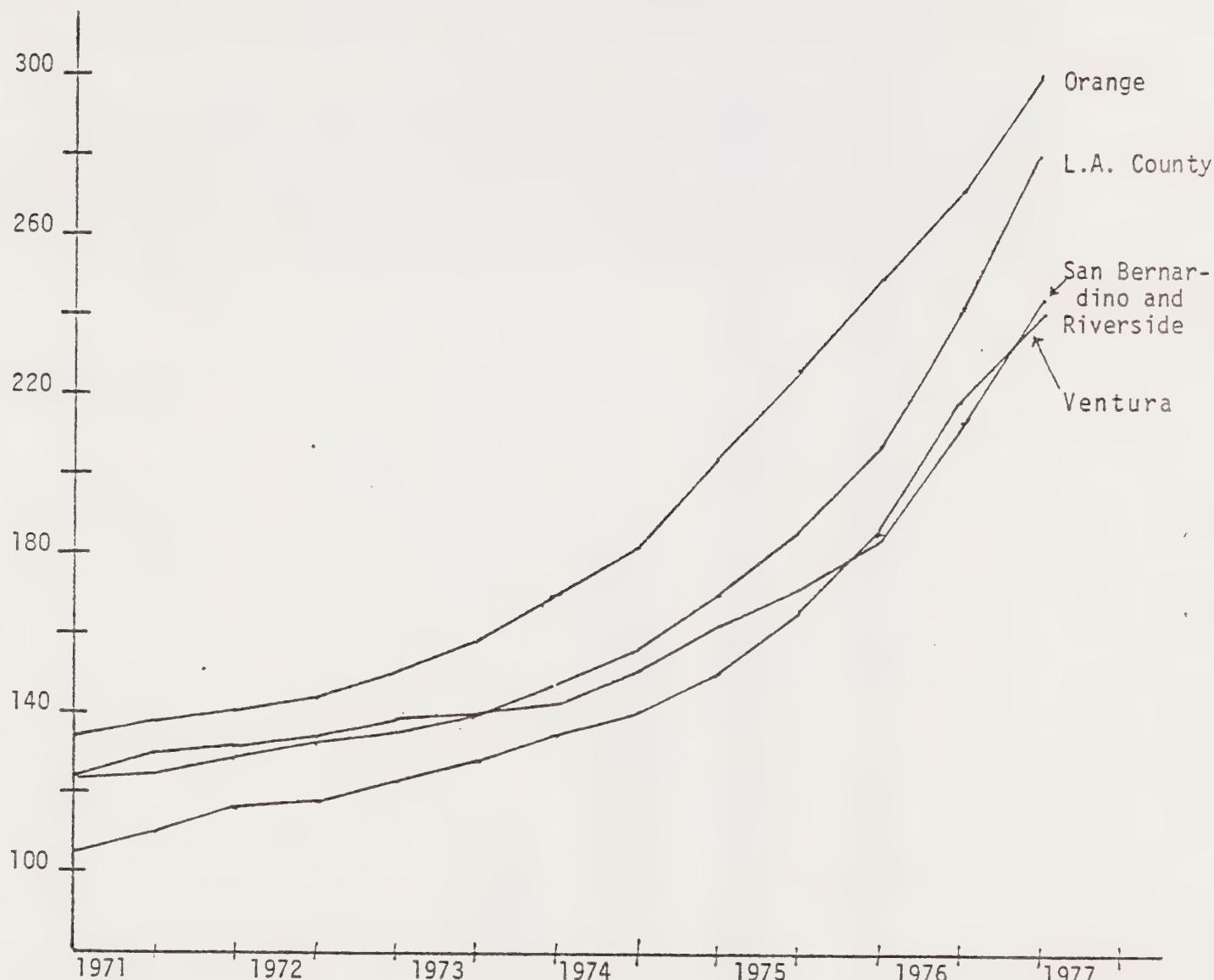
1977: \$4,500 \$7,500 \$10,000 \$15,000 \$22,000 \$37,000

EQUIVALENT 1970 and 1977 INCOMES

Rent increases have been spurred by a relatively rapid turnover of landlords and accompanying increases in the value of rental buildings. Buildings long held by the same owner will have relatively low mortgage principal and interest costs, because at last sale the building had a lower market value, and interest rates were lower than they are today. Buildings are usually refinanced when sold, causing an increase in debt service and thus in rents. The accelerated increase in rents over the last few years correlates with a near-20% increase in rental building sales over the same period.

Prices and rents vary throughout the SCAG region, as do rent increases (see FIGURE 11), but the problem of housing prices rising faster than incomes is ubiquitous. The shortage of decent units available to low- and moderate-income families is regionwide, as the RHAM shows. Even the highest-income communities have some lower-income residents with housing-cost problems, and even the lowest-income communities do not have enough low-cost housing for their own residents, let alone to help meet overall regional needs.

FIGURE 11
HOME PRICE TRENDS BY COUNTIES
(INDEX 1960=100)



SOURCE: Real Estate Research Council of Southern California

OBSTACLES TO MEETING NEEDS

1. The supply of "desirable" units in the region is decreasing relative to the demand for housing. As discussed in the Quantity Section, in 1974 and 1975, housing production in the region was too low to accommodate new housing demand and replace substandard units. As discussed in the Quality Section, an increasing number of housing units are deteriorating due to age, low value, and lack of adequate maintenance and/or rehabilitation. Currently, vacancy rates are below normal, indicating a shortage of housing in the region. This shortage has pushed up the prices and rents of housing units throughout the region.
2. Mortgage financing is the largest single component of housing cost, and in the SCAG region mortgage interest rates have varied between 7.5% and 11% since 1970. Further, mortgage interest rates in the SCAG region have been between 1/4% and 1/2% higher than the national average for this same time period. A steady supply of mortgage credit at moderate interest rates is critical to keeping housing costs at affordable levels. Unfortunately, unless interest rates are high, mortgages do not compete well with other types of investments which provide greater returns.
3. Some owners of rental properties depend on rents for income; others use rental properties as tax shelters. In neither case do landlords have an incentive to keep rents affordable to present tenants.

Rents are composed of many factors, including debt service, taxes, utilities, management expenses, and maintenance and repair costs. On the average the components of rent are as follows:

FIGURE 12

COMPONENTS OF RENT

<u>CATEGORY</u>	<u>PERCENT OF TOTAL</u>
MANAGEMENT AND ADMINISTRATION	11%
UTILITIES	9%
Maintenance and Repair	6%
TAXES	14%
INSURANCE	2%
DEBT RETIREMENT	42%
VACANCIES AND BAD DEBT	9%
PROFIT AND RESERVE	7%
TOTAL RENT ALLOCATION	100%

SOURCE: PRESIDENT'S COMMITTEE ON URBAN HOUSING (THE KAISER REPORT)

The cost of all these components have been increasing as rapidly, or more rapidly, than rents themselves in recent years. It is therefore difficult to reduce rents without also examining the costs of energy, local government support, labor, and materials. Rental units owned for investment purposes must compete with other forms of investment; investors expect and depend on appreciation in the value of their rental properties. Both factors contribute to higher rents.

4. Speculation: Many homes or apartment buildings are bought for profitable resale after a short-term holding for appreciation. This also occurs with vacant land: the speculator purchases it not for development, but merely to hold while the price rises. In recent years speculation has been a serious problem in this region. In southern Orange County as much as 30% of sales in 1975 and 1976 was attributed to speculators.

The average homeowner in the SCAG region has also been a speculator: frequently he makes enormous profits on the resale of his home, and lives in his new home for a steadily decreasing period of time. The rapid turnover and increased profit-taking on individual homes has caused their average price to increase from \$30,000 in 1970 to \$65,000 in 1977. Only a small part of this increase is from additions or improvements. The rest is primarily market forces, and real estate and financing fees which accrue each time the home is sold.

5. Property taxes: Property taxes are about 18% of the average cost of owning or renting, and up to 25% for lower-income households. Property taxes aggravate the lack of affordable housing. And because the tax is linked to property values rather than incomes, it falls more heavily on lower-income households. Income-tax deductions allowable for property-tax payments compound this inequity.

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- * 1) The renter's credit does not adequately compensate the renter for the amount of property taxes he pays through his rent, and most low-income people are renters.
 - 2) Each dollar's worth of deduction is worth more to each higher income-tax bracket.

In addition, local agencies in the region have identified potential property tax increases due to improvements as a significant obstacle to housing rehabilitation. Less directly, local government reliance on the property tax encourages land use decisions which they might not otherwise make and which often are counterproductive to public policies. Frequently these decisions either increase the cost of housing or preclude local governments from taking actions which would reduce housing costs.

Increased housing prices have resulted in greatly increased assessed valuations in the last few years. This has meant that local governments can increase property tax revenues with little or no increases in tax rates. However, it has also meant that costs of owning and renting have increased beyond the ability of the occupant to pay. Many homeowners who have very low (or even entirely paid-off) mortgages cannot afford to keep or maintain their homes simply because of the property tax burden.

6. Cost of maintenance and rehabilitation: All construction costs have risen steadily. Repair costs therefore have also increased. In addition rehabilitation can be complicated and unexpectedly costly, because it is difficult to estimate the extent of work needed and therefore the costs, before work begins.
7. Governmental reluctance to use assisted-housing programs: Federal housing-assistance programs for lower-income people have been available since the 1930's. However, many localities in the SCAG region have ignored these programs because of political opposition, lack of staff, or ignorance of the problems or programs. Article 34 of the California State Constitution adds to the difficulties by requiring a local referendum to approve public ownership of housing units. Moreover, several programs -- most notably traditional public housing, state housing agency financing, and local-housing-authority bond financing -- are available only to jurisdictions that have passed housing referenda. Note that when the units are privately owned and privately or federally financed, Article 34 does not apply. California is the only state with this referendum requirement.
8. The cost of new construction is also a major deterrent to providing high-quality housing at affordable prices. Construction costs have several component parts: (See FIGURE 13)

The actual cost of building has risen 47% in the last five years, due to increases in labor, materials, fees, interest rates, and code requirements. Note, however, that while the cost of single-family-home construction has risen only 47% in the last five years, the price of new homes has risen 100% in the same period.

9. Land costs contribute greatly to the price of new housing. Some increases in land costs have resulted from the higher costs of providing the necessary improvements to make development possible -- streets, utilities, etc. However, the price of raw land has increased at about the same rate as improved land; this indicates that most of the price increase is due to market factors rather than real costs. Land value is a residual; that is, land has no intrinsic value but is worth only what can be built or grown on it. Hence, the increase in the price of land is as much the result of the increased value of new homes as it is the cause. Land speculation, as discussed above, has also added greatly to the price of new housing.
10. Zoning and building codes also contribute to the cost of new housing -- they add to the components of construction and to the time it takes to design and build a unit. Most codes are meant to ensure quality structures and efficient land-use patterns. However, some localities' zoning requirements for provision of public facilities add as much as 8% to the cost of new construction. In other cases, codes add more to the cost of housing than is gained in quality of construction. Some requirements could be relaxed without detracting from the quality or aesthetic value of either housing or neighborhoods. Local zoning and code problems that affect the amount of new construction and the maintenance of existing units are discussed in the Local Programs Component of the Implementation Plan.
11. Concentration of low- and moderate-income households is also an obstacle to providing sufficient affordable housing. As the RHAM and SCAG Urban Reinvestment Study show, the distribution of incomes is quite uneven in the region. This uneven distribution contributes to many adverse social impacts such as crime, differential education, job discrimination, health problems, all of which are costly both to private individuals and to local governments. Through local property taxes (and thereby housing costs), households pay for some of the adverse consequences of social and economic isolation. Concentration of assisted housing has also meant that less has been done on a total regional basis and that even the small amount of federal subsidies available has been very slow in reaching those in need, and has sometimes gone unused.
12. Discrimination in housing on the basis of race, religion, sex, or ethnicity is illegal. However, it still continues to exist and to cause aberrations in the housing market which impact the quantity, quality, cost and distribution of available housing. Age discrimination creates still more problems. For example, many families with children cannot afford to purchase homes but could afford market-rate rentals. However, because rental units for families with children are virtually unavailable in the SCAG region because of discrimination against children, these families are forced into overpayment or overcrowding.

* GOAL

EACH HOUSEHOLD IN THE SCAG REGION SHOULD BE ABLE TO SECURE A SOUND DWELLING UNIT, OF SUITABLE SIZE, FOR NO MORE THAN 25 PERCENT OF ITS GROSS HOUSEHOLD INCOME. HOUSING SHOULD BE AVAILABLE IN A VARIETY OF STYLES AND TENURE TYPES, AND HOUSING OPPORTUNITIES SHOULD BE AVAILABLE TO ALL INCOME GROUPS IN ALL COMMUNITIES. FURTHER, HOUSING DISCRIMINATION, ON THE BASIS OF RACE, RELIGION, ETHNICITY, SEX, AGE, MARTIAL STATUS, OR HOUSEHOLD COMPOSITION, SHOULD BE ELIMINATED.

OVERALL OBJECTIVES

Closing the gap between incomes and housing prices and rents is the major objective to achieve in meeting regional cost and distribution goals. The components of this objective area are as follows:

1. Slow the rising cost of new and existing housing.
2. Reduce the cost of new construction and land.
3. Encourage expanded job opportunities in low-income areas.
4. Urge expansion of federal housing assistance programs for low- and moderate-income households.
5. Prepare criteria for distribution of low- and moderate-income housing
6. Establish Affirmative Action Program to provide equal opportunity in housing

POLICIES AND POLICY-ACTIONS

Cost of New and Existing Housing

POLICY 10

SCAG SHALL ATTEMPT, THROUGH EVERY MEANS POSSIBLE, TO SLOW THE RISING COST OF NEW AND EXISTING HOUSING.

* POLICY-ACTION 10A

SCAG SHALL PROVIDE REGIONAL DATA TO THE STATE'S DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT TO AID ITS COMPREHENSIVE ANALYSIS OF THE COMPONENTS OF HOUSING COSTS.

POLICY-ACTION 10B

SCAG SHALL WORK WITH LOCAL OFFICIALS, DEVELOPERS, LABOR UNIONS, REALTORS, LENDERS, AND CITIZEN GROUPS TO INFORM THE REGION OF WAYS TO REDUCE HOUSING COSTS.

-Mortgage Financing-

The discussion of needs and obstacles above shows that mortgage financing is the largest single consumer housing cost. High interest rates and scarce mortgage money greatly affect the cost and quantity of housing. For example, when the federal government uses stringent monetary and fiscal policies to overcome inflationary trends, the cost of housing rises dramatically. At such times, interest rates on mortgages and building money increase substantially, and the lack of availability of credit sharply curtails new construction. A limited supply of housing in a time of heavy demand further increases the cost of available housing.

The cost of borrowing money affects mortgage payments and rents. Interest charges are over 40% of the average monthly mortgage payment. Reducing the interest rate by two percentage points would save the housing consumer as much as would reducing property taxes by half or reducing construction costs by 17%.

Unfortunately, mortgage costs are virtually impossible to affect by local, regional, or state policies. The costs of financing are directly related to national monetary policies and the availability of mortgage funds.

* POLICY-ACTION 10C

SCAG SHALL URGE THE STATE AND FEDERAL GOVERNMENTS TO CHANNEL ADEQUATE AMOUNTS OF LOW-COST MORTGAGE AND REHABILITATION MONEY TO THE HOUSING SECTOR. NATIONAL POLICIES THAT PLACE AN UNFAIR SHARE OF THE BURDEN OF ECONOMIC STABILIZATION ON HOUSING SHOULD BE ENDED. THE CALIFORNIA HOUSING FINANCE AGENCY SHOULD EXPAND ITS ROLE IN PROVIDING MORTGAGE AND CONSTRUCTION LOANS FOR HOUSING.

The Local Program Component of the Implementation Plan includes ways in which local government may provide some of the needed mortgage funds.

-Rent-

The components of rent are discussed in the needs and obstacles section above.

The cost of most rent components has increased as fast or faster than rents themselves over the past seven years. The only component immediately influenced by landlord actions alone is debt service. Speculation in rental buildings is a main cause of rent increases. Policies directed at slowing the number of rental units which are sold each year could limit rent increases. Rent stabilization could limit rent increases, as well as reduce the turnover rate of rental buildings. However, in using either of these tools (speculation and/or rent stabilization) it is important to insure that landlords retain sufficient income to cover the component costs of maintaining rental units. If these costs are not covered, disinvestment and/or lack of maintenance will result.

Successful rent stabilization ordinances have been enacted in some localities. Most modern rent stabilization ordinances allow for new construction and substantial rehabilitation to be exempted in order not to discourage needed new development and rehabilitation. They are also designed to go into effect only in emergency situations, typically when vacancy rates are low. Further, they allow for increases resulting from inflation (i.e., utility and maintenance expenses, taxes, etc.) to be passed along to renters. Finally, they always allow for a reasonable investment profit, usually 8-11%. The intent of these ordinances is not to stop rent increases entirely, but rather to protect renters from unwarranted increases, especially when market conditions are tight.

The benefits and problems associated with rent stabilization are discussed in detail in the Local Programs Component of the Implementation Plan. The studies discussed in that section basically indicate that rent stabilization programs can be designed which do allow rent increases and do not cause disinvestment, slow new construction, create massive bureaucracies, or place localities with such ordinances at a significant disadvantage with respect to attracting investors.

Note that such rent stabilization programs in the SCAG region would not have been activated between 1970 and 1975, when vacancy rates were at acceptable levels and rent increases did not exceed increases in component costs. However, between 1975 and 1977 rent stabilization in the region could have held increases down significantly.

POLICY-ACTION 10D

SCAG SHALL OPPOSE ANY LEGISLATION THAT PRECLUDES LOCAL RENT STABILIZATION ORDINANCES.

POLICY-ACTION 10E

SCAG SHALL ENCOURAGE UNIFORM RENT STABILIZATION EFFORTS THROUGHOUT THE REGION. TO THIS END, SCAG SHALL DRAFT A MODEL ORDINANCE WHICH AVOIDS THE PITFALLS OF SUCH EFFORTS ELSEWHERE. SCAG SHALL ENCOURAGE CITIES TO ADMINISTER RENT STABILIZATION ORDINANCES JOINTLY.

-Market Forces and Speculation-

In recent years, market forces and speculation have been the most important cause of increases in the price of housing in the SCAG region. With respect to existing housing it would have been possible to hold price increases below income increases and still allow for reasonable appreciation of homes had speculation controls been in effect during the past two or three years. The Local Programs Component of the Implementation Plan discusses several methods which can be used to counter these forces. Taxes on the profits made from home and apartment sales appear to be the most successful means of reducing speculation. It is important in developing such taxes that several factors are taken into account:

- The tax must be high enough to be a deterrent to price increases. Where small percentage taxes have been used, sellers have simply added them to sales prices, thus worsening the cost problem.

- Taxes should be graduated so that the longer one owns the unit(s) the lower the tax. This has the benefit of directing the tax most heavily to the true speculator and of encouraging longer tenure, which itself reduces costs by reducing realtor and refinancing costs.
- The tax must allow a reasonable percentage profit so that owners are not discouraged from maintaining and improving their homes. The cost of significant improvements must be taken into account in determining the "profit" to be taxed.

The system for determining profits on home sales is already built into the current California and Federal income tax systems. Therefore, no new bureaucracy would be needed to determine the tax amounts.

Speculation controls would be most effective if instituted at the state level or at least the areawide level; however, some localities have used speculation controls successfully (See Local Programs Component).

Legislation has been introduced at the state and federal levels to outlaw speculation and/or limit profits to be made from real estate speculation.

POLICY-ACTION 10F

SCAG SHALL SUPPORT LEGISLATION THAT CALLS FOR HEAVY TAXES ON PROFITS FROM THE SALE/RESALE OF LAND AND/OR HOUSING.

In the absence of overall speculation controls, property transfer controls should be used to limit the profits which can be made on the resale of units developed through local land write-downs, density bonus programs, inclusionary ordinances, etc. These controls should not apply to units developed under federal or state rent-assistance programs. Several techniques (e.g., deed restrictions) are available to insure that units developed for low- and moderate-income occupants remain in low and moderate price/rent categories. Examples of techniques for controlling speculation on publicly assisted units are included in the Local Program Component of the Implementation Plan.

POLICY-ACTION 10G

SCAG SHALL STRONGLY URGE THAT SPECULATION CONTROLS BE INCLUDED IN LOCAL PROGRAMS THAT PROVIDE LOW- AND MODERATE-INCOME HOUSING.

-Property Taxes-

The property tax is a double obstacle to providing decent housing at affordable prices. Where property values are increasing rapidly as a result of rapid turnover and/or speculation, assessed values and property taxes go up accordingly. As a result, many homeowners are forced to pay property tax increases they cannot afford, even though their own units have not been sold and they have no intention of selling them. Where assessed values are low, the revenues and potential revenues available to local governments from property taxes are limited. Hence, from a fiscal standpoint, cities are discouraged from directing new developments to lower-income areas.

As discussed earlier, the property tax is a very significant component of housing costs (25%) which disproportionately impacts lower-income households since it is not based on, or related to, ability to pay (income).

Property-tax reform measures which shift the burden of local government support to more equitable forms of taxation and which insure that tax savings are passed on to housing consumers could have about five times as great an impact on housing need as all the federal housing-assistance programs combined.

POLICY-ACTION 10H

SCAG SHALL URGE THE STATE TO LESSEN THE IMPORTANCE OF PROPERTY TAXES FOR FINANCING LOCAL GOVERNMENT, AND TO USE INSTEAD LESS REGRESSIVE TAXES SUCH AS THE INCOME TAX OR SALES TAX.

POLICY-ACTION 10I

SCAG SHALL RECOMMEND THAT PROPERTY TAX REDUCTION MEASURES PROVIDE THAT TAX SAVINGS ON RENTAL UNITS BE PASSED ON TO RENTERS SO THAT THEY DO NOT BECOME WINDFALL PROFITS FOR LANDLORDS.

-Cost of Rehabilitation-

Several ways to encourage residential rehabilitation are discussed in the Quality section and the Local Programs Component of the Implementation Plan. Many of these techniques and programs also help reduce the cost of rehabilitation by subsidizing the work or reducing finance costs. Keeping the cost of rehabilitation as low as possible is important to keeping the price of existing housing down, as well as keeping the existing housing stock in good condition.

-Home Ownership Opportunities-

Because of the recent cost and price increases of new and existing homes, only about half the region's households can now afford home ownership. If present trends continue, only about 30% will be able to own homes in the near future. Alternatives to single-family-home ownership are needed throughout the region. Condominiums, one such alternative, have been successfully received by the public. Cooperatives are another alternative which, while not yet popular in the SCAG region, have proven successful in other parts of California (e.g., Los Angeles, Oakland, Berkeley and San Francisco). Some federal housing-assistance programs also provide ownership opportunities for moderate-income households.

* POLICY-ACTION 10J

SCAG SHALL URGE THE DEVELOPMENT OF CONDOMINIUMS AND COOPERATIVES AND ENCOURAGE GREATER USE OF FEDERAL ASSISTANCE PROGRAMS TO INCREASE HOME OWNERSHIP OPPORTUNITIES FOR MODERATE- AND MIDDLE-INCOME HOUSEHOLDS.

New Construction Costs

POLICY 11

SCAG SHALL ATTEMPT TO REDUCE OR LIMIT INCREASES IN THE COSTS OF NEW CONSTRUCTION AND LAND.

The components of new construction costs are shown in the following chart:

FIGURE 13

COMPONENTS OF CONSTRUCTION COST

CONSTRUCTION.....	50.0%
LAND PURCHASE.....	13.3%
LAND DEVELOPMENT.....	13.9%
DEVELOPER PROFIT.....	7.8%
COMMUNITY FACILITIES FEE.....	5.2%
SALES COST.....	4.4%
DISCOUNT POINTS.....	3.5%
CONSTRUCTION FINANCING.....	1.3%
TOTAL DEVELOPMENT.....	100.0%

Sources: Institute for Local Self Government, "Local Government's Role in Housing", September 1975

SCAG

-Land-

Land is one of the fastest rising components of housing costs. As discussed earlier, market forces and speculation have been the largest factors influencing land prices in recent years. Between 1970 and 1976, the average cost of an improved lot increased about 200%.

Special attention is also focused on the cost of land because it varies widely within the region, while construction costs do not. Improved land in the more developed and central parts of Los Angeles costs as much as \$1 million per acre. Improved land in outlying sections of the region can cost as little as \$10,000 per acre. The cost of land on the urban fringes is increasing rapidly as developable land becomes more and more scarce.

The cost of land frequently determines whether or not a development is economically feasible. This is particularly true of moderate-income and/or federally assisted housing developments. Frequently, the time and expense required to assemble land parcels suitable for new developments further adds to the cost of land.

Several options are available to local governments for reducing the cost of land. These include the acquisition and assembly of land parcels through a Redevelopment Agency; the use of Community Development Block Grant funds and other public funds to write-down land prices, provide off-site improvements, purchase land to be placed in a land bank, and the use of speculation controls. All these tools are discussed in the local Programs Component of the Implementation Plan. The price and rent stabilization efforts mentioned earlier in this section would also help hold down the cost of land.

POLICY-ACTION 11A

SCAG SHALL ENCOURAGE LOCAL PROGRAMS TO REDUCE LAND COSTS FOR DEVELOPERS OF LOW- AND MODERATE-INCOME HOUSING, PARTICULARLY IN COMMUNITIES WHOSE AVERAGE LAND COSTS ARE HIGH.

POLICY-ACTION 11B

SCAG SHALL CREATE A DEMONSTRATION URBAN LAND WRITE-DOWN PROGRAM TO DEMONSTRATE HOW THIS PROGRAM CAN REDUCE LAND COSTS AND MAKE MORE LAND AVAILABLE FOR HOUSING.

-Labor and Materials-

Since 1970, the costs of labor and materials have risen faster than incomes in general, but only about 3/4 as fast as the price of new housing. Construction wages and materials costs are virtually uniform throughout the SCAG region, except in remote areas such as the desert and mountain sections of Riverside and San Bernardino counties, where costs are higher because of additional transportation costs for both laborers and materials, and Imperial County where wage rates are somewhat lower than the regional average. The costs of labor and materials, therefore, do not account for differences in the prices of new homes or the rents of new apartments built in different areas of the region. These components are very difficult to influence at the local level.

-Construction Financing-

The cost of construction financing is a small, but variable, contribution to the price of new units. Construction loans are generally short-term loans, carrying significantly higher interest rates than long-term financing. Therefore one way local agencies can aid in reducing construction costs is to assist developers in minimizing construction time. Reductions in red tape, speedy and fair inspections, rapid and coordinated provision of public improvements -- all can help the developer shorten the term of the construction loan and thus reduce costs.

-Land Use Regulations, Codes, and Ordinances-

Land-use regulations, codes, and ordinances also contribute to the cost of housing construction. Local agencies often place excessive or unnecessary restrictions or requirements on housing developments. The most significant problems with respect to providing adequate affordable housing include:

- The dearth of land zoned for multi-family development in many areas.
- Land zoned for commercial or industrial development which could be used for residential development and would often be more appropriate and more attractive to developers in residential use.
- Lot size requirements
- Unit size requirements
- Parking requirements
- Allowable density limitations

The Local Programs Component of the Implementation Plan discusses these problems and looks at how local agencies can better use their codes to encourage desired development.

The SCAG Region is not generally characterized by exclusionary zoning requirements, and most codes are necessary to ensure decent quality housing. Furthermore, land-use code revisions are not likely to substantially reduce the cost of new housing. However, it is important that every area make adequate provision for modest-income housing, since appropriate land is becoming scarce and regional needs cannot be met without the cooperation of every community. The issue, therefore, is to identify cases where excessive requirements exist and to correct them.

Land-use codes can be used to encourage cost reduction, efficient land use, and desired types of housing. Cities can create special housing or mixed-use zones, provide density bonuses, relax parking and/or unit size requirements, and provide special services for developers who agree to build lower-priced units and/or provide special amenities.

* POLICY-ACTION 11C

SCAG SHALL URGE LOCALITIES TO ADOPT LAND USE AND ZONING ORDINANCES THAT ENCOURAGE A VARIETY OF HOUSING DESIGNS, TENURE TYPES, AND COSTS. BUILDING CODES THAT UNNECESSARILY INCREASE CONSTRUCTION COSTS SHOULD BE REVISED.

POLICY-ACTION 11D

SCAG SHOULD GATHER AND PUBLISH INFORMATION ON HOUSING AND LAND USE ORDINANCES THAT ENCOURAGE MODERATE-COST HOUSING OR REDUCE THE COSTS OF CONSTRUCTION.

The time and paperwork necessary to secure permits, general plan amendments, zoning changes, etc., for proposed development are additional components of housing cost. So are preparation of federal and state environmental documents, where these are required. The Local Programs component of the Implementation Plan discusses ways to streamline or simplify processing, and the impact these actions could have on construction costs.

* POLICY-ACTION 11E

SCAG SHALL URGE ALL GOVERNMENT AGENCIES TO ELIMINATE DELAYS IN THE HOUSING REVIEW PROCESS, AND SHALL PUBLISH INFORMATION ON HOW THIS CAN BE DONE.

In many cases, environmental reviews can be reduced or eliminated on individual developments when proper plans for the area in question have been completed.

POLICY-ACTION 11F

SCAG SHALL PREPARE ENVIRONMENTAL PLANS AT THE AREAWIDE SCALE TO REDUCE THE NEED FOR PROJECT-BY-PROJECT REVIEW. SCAG SHALL ALSO URGE ALL LEVELS OF GOVERNMENT TO REVIEW OVERALL DEVELOPMENT PLANS IN A TIMELY MANNER, AND TO COORDINATE REVIEWS BETWEEN LEVELS.

Economic Development

To close the gap between incomes and housing costs, increased household incomes must be a part of any housing program. The SCAG Urban Reinvestment Study details how inadequate household incomes lead to housing deterioration. That incomes have not risen as fast as housing prices is the cause of the most significant housing problems the region faces. Economic development activities directed at reducing unemployment and underemployment in the SCAG region are badly needed, especially in Reinvestment Cities and Communities.

* POLICY 12

SCAG SHALL STRONGLY ENCOURAGE THE EXPANSION OF JOB OPPORTUNITIES, PARTICULARLY IN REINVESTMENT COMMUNITIES AND LOW-INCOME AREAS.

POLICY-ACTION 12A

SCAG SHALL URGE THE FEDERAL GOVERNMENT TO EXPAND ITS ECONOMIC DEVELOPMENT PROGRAMS, AND TO ESTABLISH AN URBAN DEVELOPMENT BANK.

POLICY-ACTION 12B

SCAG SHALL ATTEMPT TO INCREASE THE AMOUNT OF FEDERAL FUNDS AVAILABLE TO ITS MEMBERSHIP FOR ECONOMIC DEVELOPMENT BY SEEKING DESIGNATION AS A REGIONAL ECONOMIC DEVELOPMENT DISTRICT.

POLICY-ACTION 12C

SCAG SHALL AID LOCAL GOVERNMENTS IN THEIR PLANS TO IMPROVE JOB OPPORTUNITIES AND INCREASE THE INCOMES OF LOW-INCOME HOUSEHOLDS.

Housing Assistance Programs

The preceding policies have discussed a number of ways in which housing costs can be reduced and household incomes can be increased. These methods can over time alleviate a significant percentage of housing need and can reduce future additions to the number of households who must overpay in order to obtain housing. However, in addition to these activities, government subsidies are needed to provide housing for those low and moderate income households who cannot secure decent housing on the private market. Assisted housing is particularly important to providing an adequate supply of decent housing for the region's lowest income residents and for groups with special housing needs, such as the handicapped.

A variety of federal programs are available for addressing housing cost problems including Section 8 rental assistance, Section 202 loans for elderly/handicapped rental housing, Section 312 rehabilitation loans, Section 235 homeownership mortgage interest rate subsidies, Farmers Home Administration Section 515 below market interest rate loans for assisted rental housing development, and FHA and FmHA loan insurance programs. These programs are described and discussed in detail in the Local Programs Component of the Implementation Plan.

Currently there are almost 700,000 households in the SCAG region who are both in need of and qualified for housing assistance. Nearly half of these have incomes below \$3,000 per year. Housing problems are most severe for this group and for households with large families.

Local governments through their Housing Assistance Plans have set goals to assist about 76,960 households or 11 percent of the need each year.* At the same time, federal subsidies coming to the region are sufficient to meet about 2 percent of the need each year. Thus, there is an enormous need for increased federal assistance to housing.

* POLICY 13

SCAG SHALL STRONGLY URGE THE EXPANSION AND ADEQUATE FUNDING OF FEDERAL HOUSING PROGRAMS FOR LOW- AND MODERATE INCOME HOUSEHOLDS

* POLICY-ACTION 13A

SCAG SHALL CONTINUE ITS VIGOROUS PRESENTATION OF REGIONAL HOUSING NEEDS TO THE FEDERAL GOVERNMENT, AND ENSURE THE DEVELOPMENT OF PLANS QUALIFYING THE REGION FOR ADDITIONAL FEDERAL HOUSING ASSISTANCE MONIES

* See SCAG Second Year Review of Housing and Community Development Block Grant Applications

In addition, state and local programs are needed to make the greatest use of federal housing programs. Support activities, such as counseling, and land acquisition or financing programs can determine whether a federal housing subsidy can successfully be used in a given locality. The California State Housing Finance Agency, for example, provides financing for a small number of federally-assisted new construction and substantial rehabilitation projects. In many other states, where state housing capabilities are greater, state agencies finance a very significant portion of assisted-housing developments.

POLICY-ACTION 13B

SCAG SHALL ENCOURAGE THE DEVELOPMENT AND EXPANSION OF STATE, AREAWISE, AND LOCAL PROGRAMS THAT INCREASE THE REGION'S SUPPLY OF HOUSING FUNDS.

POLICY-ACTION 13C

SCAG SHALL SUPPORT EFFORTS TO IMPROVE STATE AND FEDERAL INCOME MAINTENANCE PROGRAMS.*

* See SCAG Human Services Goals and Policies, adopted February 1977.

Dispersion of Low-Income Housing Opportunities

To provide housing opportunities for all income groups in all communities, government actions must reduce the concentrations of low-income residents in the region (see Map 1). SCAG's Housing Opportunities Plan shows the distribution of previous housing-assistance activity in the region. It shows that assisted housing has been concentrated in about one-fifth of the region's jurisdictions. These concentrations have worsened the region's housing and socio-economic problems, and have also caused the failure of some assisted housing developments.

Activities aimed at reducing unemployment and under-employment (Policy 12) could help thousands of low-income households become moderate- and middle-income households, thereby reducing both the number and concentration of low-income residents. Adequately funded housing-assistance and income-maintenance programs (Policy 13) could also help reduce low-income concentrations. In lieu of adequate job opportunities and/or income for housing, however, low-income concentrations can be alleviated only if new low-income housing opportunities are created in communities where they do not now exist, and if middle- and upper-income households are attracted to live in older urban areas.

The Regional Housing Strategy stresses the need for both public and private "reinvestment" in older urban areas, and many parts of this Implementation Plan call for revitalizing deteriorated areas and rehabilitating deteriorated units (while keeping them affordable to present residents). "Reinvestment" will mean jobs for some low-income residents, and thus the ability to afford adequate housing in a variety of communities. It will also mean that middle- and upper-income households will be drawn to live in some older urban areas where mostly low-income residents currently reside. For reinvestment to be successful, however, new low-income housing opportunities must be provided outside the Reinvestment Cities and Communities.

Some cities and communities are in a much better position, financially and in their proximity to jobs, to provide new low-income housing opportunities than others. Having recognized this need for some time, SCAG's adopted Housing and Community Development Policies now include the following:

* POLICY 14

SCAG SHALL PREPARE A RESPONSIBLE AND EQUITABLE SET OF CRITERIA FOR THE CONSTRUCTION AND DISTRIBUTION OF LOW- AND MODERATE-INCOME HOUSING, TO ASSURE THAT ALL HOUSEHOLDS HAVE THE OPPORTUNITY TO OBTAIN ADEQUATE AND AFFORDABLE HOUSING, IN A VARIETY OF TYPES, WITHIN EACH OF THE REGION'S MAJOR GEOGRAPHICAL SUB-UNITS.

The SCAG Regional Housing Allocation Model distributes identified housing needs so as to provide housing opportunities for lower-income households closer to employment and other support services and facilities, and to provide a more equitable distribution of housing responsibilities throughout the region. The SCAG Housing Opportunity Plan is a plan for allocating federally assisted housing according to the SCAG Regional Housing Allocation Model. Both documents must be maintained and regularly updated.

POLICY-ACTION 14A

SCAG SHALL REGULARLY UPDATE THE "FAIR SHARE" ALLOCATIONS IN ITS REGIONAL HOUSING ALLOCATION MODEL AND ITS HOUSING OPPORTUNITIES PLAN.

Although almost every community in the SCAG Region has a Housing Assistance Plan which makes use of federally-assisted housing programs, some communities are reluctant to use these programs, and the amount of effort addressed to attracting federal housing assistance and to making the programs work varies widely throughout the region.

POLICY-ACTION 14B

SCAG SHALL ENCOURAGE ALL COMMUNITIES TO ADOPT AND IMPLEMENT HOUSING-ASSISTANCE PLANS.

SCAG is required by the federal government to review all applications for Community Development funds. Federal law further stipulates that, to receive such funds, each community must have a Housing Assistance Plan that identifies its low-income housing goals. To continue to receive funding, communities will have to demonstrate progress toward meeting their goals.

POLICY-ACTION 14C

SCAG SHALL REQUIRE THAT ALL LOCAL HOUSING-ASSISTANCE PLANS CONTAINED IN HOUSING AND COMMUNITY DEVELOPMENT BLOCK GRANT APPLICATIONS BE CONSISTENT WITH SCAG PLANS, AND SHALL REQUIRE THAT COMMUNITIES RECEIVING BLOCK GRANT FUNDS DEMONSTRATE PROGRESS TOWARD MEETING THEIR GOALS.

POLICY-ACTION 14D

SCAG SHALL WORK CLOSELY WITH LOCAL AGENCIES, HUD, AND THE CALIFORNIA HOUSING FINANCE AGENCY TO ENSURE THAT ALL HOUSING ASSISTANCE FUNDS COMING INTO THE REGION ARE ALLOCATED ACCORDING TO SCAG'S REGIONAL HOUSING ALLOCATION MODEL AND HOUSING OPPORTUNITIES PLAN.

As discussed earlier in the "obstacles" portion of this section, Article 34 of the California Constitution is an impediment to the implementation of local and areawide housing goals and to the effective use of federal programs in most parts of the region.

POLICY-ACTION 14E

SCAG SHALL SUPPORT REPEAL OF ARTICLE 34 OF THE CALIFORNIA STATE CONSTITUTION.

About 17 communities have passed referenda enabling them to own and manage lower-income and assisted housing; they are thus eligible for programs which communities that have not passed such referenda cannot use. To ensure maximum use of the programs and the most equitable possible distribution, SCAG will encourage passage of Article 34 referenda in all communities which have not already passed it.

POLICY-ACTION 14F

SCAG SHALL ENCOURAGE PASSAGE OF ARTICLE 34 REFERENDA IN ALL COMMUNITIES UNTIL THE CALIFORNIA STATE CONSTITUTION IS CHANGED TO MAKE SUCH REFERENDA UNNECESSARY.

Those communities which have demonstrated a commitment to expand their supply of low- and moderate-income housing may take pride in their efforts to provide housing for their citizens and to help solve regional housing problems. To encourage and support such local efforts, SCAG should use its review performance in providing low- and moderate-income housing. The priorities would reward those communities which have provided a full range of housing opportunities and help compensate them for any added costs for services that might be required by subsidized and lower cost units. This review criteria should apply to all local applications for state and federal funding (community development, transportation, criminal justice, parks and open space funds, and grants for the aging, among others). Application for housing subsidy funds are not included.

POLICY-ACTION 14G

SCAG SHALL RECOMMEND AGAINST ANY APPLICATION FOR STATE OR FEDERAL FUNDS SUBMITTED BY A COMMUNITY THAT HAS NOT ADOPTED HOUSING ASSISTANCE GOALS CONSISTENT WITH THE AREAWIDE HOUSING OPPORTUNITIES PLAN.

POLICY-ACTION 14H

SCAG'S ALLOCATION OF ANY DISCRETIONARY FUNDS SHALL FAVOR PROPOSALS FROM LOCALITIES HAVING HOUSING-ASSISTANCE GOALS AND PROGRAMS CONSISTENT WITH THE AREAWIDE HOUSING OPPORTUNITIES PLAN.

* POLICY-ACTION 14I

SCAG SHALL ENCOURAGE COMMUNITIES SEEKING NEW INDUSTRY TO ASSURE THAT THE INDUSTRY'S NEW EMPLOYEES CAN FIND AFFORDABLE HOUSING IN THE COMMUNITY.

* POLICY-ACTION 14J

SCAG SHALL DEVELOP A BETTER METHOD OF RELATING JOB OPPORTUNITIES TO HOUSING OPPORTUNITIES; IN MONITORING THE REGION'S DEVELOPMENT, SCAG SHALL USE THIS SYSTEM IN A-95 REVIEWS TO ASSURE HOUSING OPPORTUNITIES NEAR JOBS AND JOB OPPORTUNITIES NEAR LOW- AND MODERATE-INCOME HOUSING.

POLICY-ACTION 14K

SCAG SHALL RECOMMEND TO ALL FUNDING AGENCIES, REVIEW BOARDS, AND COMMISSIONS THAT THEY INCLUDE LOCAL HOUSING-ASSISTANCE GOALS AND ACTIVITIES IN THE CRITERIA USED TO SET FUNDING PRIORITIES.

Many communities have, in their use of assisted housing, overemphasized the elderly.* Virtually all newly built assisted housing in the SCAG region in the last several years has been for the elderly, although elderly households constitute only about 25% of the need.

Assisted units are most easily and successfully directed to the elderly, but it is families and large families who have the greatest difficulty making use of the existing stock, and the rent-assistance programs which depend on the existing stock. This is mainly because there is a shortage of large rental units in the region, and because many apartment buildings do not allow children. Municipalities, developers, and HUD must be strongly encouraged to provide housing assistance to meet all types of housing needs.

POLICY-ACTION 14L

SCAG SHALL USE ITS REVIEW POWERS TO ENCOURAGE MUNICIPAL PROGRAMS AND ASSISTED DEVELOPMENTS THAT PROVIDE HOUSING FOR FAMILIES AND LARGE FAMILIES (AS WELL AS ELDERLY PERSONS WITH LOW OR MODERATE INCOMES), AND THAT MEET AREAWIDE, RATHER THAN MERELY LOCAL, NEEDS.

* SCAG Second Year Review of HCD Block Grant Applications, November 1976.

SCAG has developed a set of priority criteria for use in distributing federal housing assistance funds (adopted, May 4, 1977) and for review of assisted housing proposals (adopted, September 1, 1977). The criteria reflect needs established by both areawide and local housing assistance plans. SCAG will rank proposals according to an adopted procedure which assesses how well they implement the Regional Housing Allocation Model and fit the priority criteria listed in FIGURE 14, below:

FIGURE 14

PRIORITY CRITERIA FOR DISTRIBUTION OF FEDERAL
HOUSING ASSISTANCE FUNDS

- (A) Development of "substantial rehabilitation" units
- (B) Development of "new construction" units
- (C) Proposals in jurisdictions with "positive fair share" adjustment as identified in the Regional Housing Allocation Model
- (D) Consistency with a Community's Housing Assistance Plan
- (E) Project feasibility as determined by availability of sites within jurisdictions and/or rehabilitable structures as well as compatible or amendable zoning regulations
- (F) Project feasibility as determined by expressed developer interest
- (G) Jurisdictions not previously participating in "Assisted Housing" programs
- (H) Development of assisted family units
- (I) Development of assisted large family units
- (J) Special/innovative projects (i.e. Cooperative Housing, projects containing elderly/non-elderly, assisted/non-assisted housing, energy conserving utility systems, etc.)
- (K) Specific site locations for new construction of family units within the jurisdiction which are outside existing concentrations of lower income households
- (L) Construction of senior citizen units in areas of exceptionally low vacancy rates

Assisted housing should not be developed in locations that would be considered unacceptable for market-rate housing.

POLICY-ACTION 14M

SCAG SHALL PARTICIPATE IN SELECTING SITES FOR NEW ASSISTED HOUSING TO ENSURE THAT (FOLLOWING HUD GUIDELINES) ASSISTED HOUSING IS NOT DEVELOPED IN INFERIOR LOCATIONS, IN AREAS OF HIGH NOISE OR UNATTRACTIVE MIXED LAND-USSES, NOR IN PLACES WHERE URBAN SERVICES ARE INADEQUATE.

Large concentrations of assisted units in any one development should be avoided.

POLICY-ACTION 14N

SCAG SHALL DISCOURAGE NEW ASSISTED HOUSING WHERE IT WOULD INCREASE THE CONCENTRATION OF LOW-INCOME PERSONS WITHIN A SINGLE PROJECT OR AREA, AND GIVE PREFERENCE TO DEVELOPMENTS THAT INCLUDE BOTH ASSISTED AND MARKET-RATE HOUSING IN THE SAME AREA.

Also of concern to the provision of assisted housing is the ability of participating families to choose housing throughout the market area. Best evidence to date indicates that the rent limitations on the Section 8 "Existing" program in the SCAG region have been too low to allow eligible households to find units except in locations where low-income persons are already concentrated. One of the purposes of the Section 8 program is to improve mobility for lower-income households, and the "Fair Market Rents" must be carefully monitored and adjusted where necessary to assure that participants are not forced to overconcentrate.

POLICY-ACTION 14O

SCAG SHALL WORK TO ENSURE THAT RENT LIMITS ON FEDERALLY ASSISTED HOUSING REFLECT MARKET CONDITIONS, AND THUS BROADEN HOUSING OPPORTUNITIES FOR LOW-INCOME RESIDENTS.

POLICY-ACTION 14P

SCAG SHALL ENCOURAGE LOCAL AGENCIES TO PROVIDE COUNSELING AND ASSISTANCE TO ENABLE RELOCATED HOUSEHOLDS TO MOVE TO AREAS OUTSIDE EXISTING POVERTY AND MINORITY CONCENTRATIONS.

SCAG will use the "Fair Share" criteria in its Regional Housing Allocation Model to ensure that federally assisted housing is distributed evenly throughout the region. Federal housing-assistance programs do not provide adequate funding to meet the region's need for low- and moderate-income housing, however. Hence, the responsibility for providing affordable housing lies with local jurisdictions and the private sector. Inclusionary ordinances which require developers to make a percentage of new units available to low- and moderate-income households are needed in all "positive Fair Share" jurisdictions. Examples of inclusionary ordinances being used within the region and elsewhere are included in the Local Programs Component of the Implementation Plan.

* POLICY-ACTION 14Q

SCAG SHALL URGE THAT HOUSING BE PROVIDED IN A WIDER RANGE OF PRICES IN ALL PARTS OF THE REGION, AND THAT ALL "POSITIVE FAIR SHARE" CITIES ADOPT INCLUSIONARY ORDINANCES SO THAT THIS GOAL MAY BE ACHIEVED.

POLICY-ACTION 14R

SCAG SHALL COMMENT NEGATIVELY ON ANY DEVELOPMENT IN A "POSITIVE FAIR SHARE" JURISDICTION THAT PROVIDES LESS THAN TEN PERCENT OF ITS UNITS TO MODERATE-INCOME AND/OR ASSISTED HOUSEHOLDS.

Equal Opportunity

Housing discrimination is a major obstacle to implementation of the Regional Housing Allocation Model and Housing Opportunities Plan, as well as to providing decent housing at affordable costs. Local programs which discriminate against families with children, or against non-residents of a jurisdiction, do not maximize the use of housing-assistance funds, and in some ways aggravate housing problems.

-SCAG's Present Role in Anti-Discrimination-

As the A-95 Agency for the region, SCAG regularly reviews the plans and programs of local jurisdictions. Included in these reviews is a consistency examination of the plans and programs against the adopted Housing and Community Development goals and policies. These goals and policies cover a broad spectrum of housing concerns including development of an Affirmative Action Housing program.

These goals and policies were established in 1973 -- prior to the Housing and Community Development Act and its required Housing Assistance Plan, and the development of SCAG's Regional Housing Allocation Model. The SCAG RHAM has been available now for more than two years, and has been adopted. This document provides a set of baseline numbers showing the fair-share allocations for each jurisdiction in the region. As part of the A-95 function, Housing-Assistance Plans are reviewed for consistency with the RHAM.

SCAG also reviews plans and programs for non-discrimination through its involvement with the local Fair Housing Councils. Comments from these councils are solicited during the A-95 review period for specific projects or activities. Similarly, comments are also sought from the Human Relations Commission of Los Angeles County, which has been charged with promoting non-discriminatory housing activities. Although still in development, an important addition to existing SCAG safeguards against discrimination in housing will be the completion and adoption of a Housing Opportunities Plan. Part of this plan will be an Affirmative Housing Plan which will further refine and specify activities to be pursued by SCAG toward achieving fair and equal Housing objectives.

To a considerable extent, SCAG's Regional Housing Allocation Model provides a basis for the development of additional programs and activities directed toward eliminating the effects of discrimination in housing. The essential value of the model lies in the quantification of fair-share housing distribution for each jurisdiction in the region.

Properly implemented at the local level, the RHAM will play a significant role in achieving racial, income, and age integration throughout the region.

When paired with the forthcoming Housing Opportunities Plan, a tandem program will exist. One part will have set numerical goals, while the other two will provide direct-action strategies to overcome discriminatory housing practices.

The largest agency in the region concerned primarily with problems of illegal discrimination in housing is the Fair Housing Congress of Southern California. This is an umbrella agency for all member Fair Housing Groups in Los Angeles County. Because it covers the largest county in the region in terms of population and housing, the experience of this agency is considered representative of the region.

Data from both the Fair Housing Congress and the Orange County Fair Housing Council are presented in Table 15. They show the magnitude of housing discrimination in the region. Obviously, these data show only part of the problem, since they represent only those persons who filed protests; numerous others, it is believed, stopped short of filing.

In the fiscal year ended June 1977, 1466 discrimination cases were handled by both agencies. The cases cover a variety of areas wherein discrimination is alleged. Prominent among these are marital-status cases where persons (typically women) are told by landlords/owners that rent applications from single persons will not be accepted. The largest growth in cases occurred in those involving single parents with children.

A complicating factor in marital-status cases is that the investigation and follow-up on all such cases is within the exclusive jurisdiction of the California State Fair Employment Practices Commission. Fair Housing representatives in Los Angeles and Orange Counties report great dissatisfaction with this agency's performance in making satisfactory investigations and resolving complaints in housing discrimination matters.

Because the FEPC is the only State agency directly engaged in eliminating Housing Discrimination, its effectiveness is crucial. Two key recommendations in the draft California State Housing Element could go far toward improving the effectiveness of the FEPC. One involves an agency name change to include the word Housing, and the other involves establishing a separate housing section with adequate staffing.

POLICY 15

SCAG SHALL ESTABLISH AND SUPPORT AN AFFIRMATIVE ACTION PROGRAM TO PROVIDE EQUAL OPPORTUNITY IN HOUSING.

POLICY-ACTION 15A

SCAG SHALL INCLUDE IN THE AREAWIDE HOUSING OPPORTUNITIES PLAN AN AFFIRMATIVE MARKETING PROGRAM FOR ASSISTED HOUSING, AND WORK WITH CONCERNED PARTIES -- LOCAL HOUSING AUTHORITIES, DEVELOPERS, REALTORS, LENDERS, COMMUNITY SERVICE ORGANIZATIONS, FAIR EMPLOYMENT PRACTICES COMMISSIONS AND HUD -- TO SOLICIT AGREEMENT TO THE PLAN AND ENSURE COMPLIANCE WITH IT.

SCAG is developing a Fair and Equal Housing Opportunity Plan. This plan will encourage local jurisdictions to develop local fair and equal housing programs according to guidelines established in the regional plan. The plan also describes how SCAG will work to:

1. Eliminate residency preferences
2. Monitor discriminatory practices
3. Investigate discrimination complaints
4. Disseminate public information on housing needs and programs
5. Facilitate use of joint-powers agreements among jurisdictions to operate housing programs
6. Lobby for needed new legislation or regulations to improve state and federal housing programs.

POLICY-ACTION 15B

SCAG SHALL SEEK TO ESTABLISH IN LAW THAT COMMUNITIES' PARTICIPATION IN THE AREAWIDE FAIR AND EQUAL HOUSING OPPORTUNITIES PLAN CONSTITUTES COMPLIANCE WITH FEDERAL EQUAL HOUSING OPPORTUNITY REQUIREMENTS.

In developing their Housing Assistance Plans, localities are required by the HCDA 1974 to address the needs not only of households already living in the community but of those who could be expected to reside there if housing they could afford were available. Most localities in the SCAG region have done so, and it is illegal to require a duration of residency to obtain housing assistance. However, some jurisdictions give preference to people already residing in their community. Since in almost no community are the available funds sufficient to serve all the needs of existing residents, these residency preferences are often tantamount to residency requirements.

POLICY-ACTION 15C

SCAG SHALL, IN ALLOCATING ASSISTED HOUSING FUNDS, FAVOR LOCALITIES THAT DO NOT HAVE RESIDENCY PREFERENCES, AND THAT PARTICIPATE IN THE AREAWIDE FAIR AND EQUAL HOUSING OPPORTUNITIES PLAN.

In addition to uneven local use of federal programs, there are problems in the federal housing-subsidy programs themselves, or in the way they are administered. In conjunction with housing experts throughout the region, the SCAG staff has developed recommendations for improving the major federal housing-assistance programs. These staff comments are included in Appendix C.

POLICY-ACTION 15D

SCAG SHALL, WHERE THE NEED EXISTS, DEVELOP RECOMMENDATIONS FOR CHANGES IN FEDERAL AND STATE HOUSING PROGRAMS AND, UPON APPROVAL FROM THE EXECUTIVE COMMITTEE, TRANSMIT THESE TO THE APPROPRIATE AGENCIES.

LOS ANGELES FAIR HOUSING CONGRESS CASeload - FISCAL YEAR '76-77

FIGURE 15

TOTAL CASES AND REFERRAL DESTINATION	SUCCESSFUL CONCILIATION	UNSUCCESSFUL CONCILIATION	NO EVIDENCE OF DISCRIMINATION	NO ACTION POSSIBLE	LOST NO CONTACT	LOST INTEREST	LITIGATION PENDING	RESULTS TOTAL
FEPC 382	25	0	41	28	150	1	0	253
HUD 36	2	0	2	2	0	0	3	9
CONGRESS COUNSEL'S OFFICE 355	60	2	76	38	18	17	0	211
ATTORNEY 42	3	0	1	1	2	8	9	24
OTHER 1	-	-	-	-	-	-	-	1
TOTAL 860	91	2	120	69	178	26	12	498

ORANGE COUNTY FAIR HOUSING COUNCIL CASE LOAD-1977

MONTH	TOTAL COMPLAINTS	REFERRED TO FEPC
January	63	0
February	20	1
March	140	2
April	66	0
May	110	2
June	77	0
July	130	2
TOTAL	606	7

APPENDIX C

RECOMMENDATIONS FOR IMPROVING FEDERAL HOUSING ASSISTANCE PROGRAMS

Section 8 New Construction and Rehabilitation

1. Housing assistance "block grants" - each locality should be designated a certain amount of housing units or dollars to be spent over a specified (e.g., 5 year) period on any of a selection of housing programs as they deem appropriate for their community. The allocation should be according to the areawide plan, created in conjunction with all the participating localities in each region. This would allow each area to plan housing in conjunction with neighboring localities. Thus funds could be set aside where needed for land subsidy, public improvements, etc, in support of the desired developments.
2. Establish a federal bank that lends on all subsidized housing or other housing assistance (e.g., rehabilitation loans) programs. It would function similarly to State housing finance agencies (which are currently able to get housing into production in less than half the time it takes for conventional lenders/FHA), and therefore be faster and make some of the local housing programs much easier to set up, less risky, and more consistent with one another.

If this bank were set up, the FHA insurance programs for private lenders should be eliminated. The direct lending program would be cheaper by eliminating the points developers now pay for FHA insurance. There should be one process for both the loan and the subsidy program - approval for one is approval for both. This would save enormous amounts of both cost and time. Developers could still have the option to use private lenders if they chose.

If such a bank is not developed other alternatives must be used to make financing available on Section 8. Suggestions are:

- A. Automatic FHA insurance for Section 8 projects including combined FHA/ Section 8 processing with time deadlines.
- B. Direct loan program for all Section 8 units. (Section 202 is a direct low interest rate loan for non profit sponsors of projects for elderly or handicapped). Processing for the loan and the Section 8 contract could be combined if this loan program were instituted. Interest rate could be market or below market.
- C. Requirement that federally chartered or insured lenders either loan on a certain percentage of subsidized projects or participate in a loan pool for this purpose in order to be chartered or insured.

- D. Expand the role of State Housing Finance Agencies. This action will not solve the financing problem in California. Because of Article 34 the HFA can only lend in areas where other financing mechanisms are already available (e.g., housing authority bonds). HFA's tend to be more efficient. If the Federal bank were established the HFA's could act as branch offices of the bank and thereby avoid Article 34.
- 3. There should be one set of new construction fair market rents for each areawide planning region* of the country by structure type and number of bedrooms. (There should be adjustments for inaccessible areas where construction costs are exceptionally high). These rents should be based on construction and maintenance costs, rather than rents of comparable existing structures. They could be set by a board made up of HUD analysts in conjunction with local bankers, realtors, contractors, management firms, market analysts, etc. Land costs should not be included, and land dealt with on a separate basis. Developer's proposals, then, need only be reasonable at those rents, and competition would take place on the basis of the quality of the proposal at the set price. This would eliminate the need for rent justification, one time consuming and usually meaningless element of the current process. These rents would apply to the FHA loan insurance as well as the Section 8 assistance contract itself.
- 4. Land purchase could be handled in several ways:
 - A. The federal government could purchase the land and lease it to the developer. The length of the lease would equal the length of the mortgage and subsidy contract, and the use would be restricted to the subsidy program for the length of the lease. The lease would be free.
 - B. Localities provisions for land write down with HCD or other local funds, then add land rent to the structure rent established in #3 above for each individual case.
 - C. Liberalize provisions for land write down with HCD or other local funds, then add land rent to the structure rent established in #3 above for each individual case.
 - D. For redevelopment land the agency would lease it to the developer or sell it to HUD for lease to a developer, using the same process as they now use for presite approval.

*County in the absence of designated Areawide Planning Organization.

Land prices would be subject to review by the cost setting board. In all cases the local government would select general locations for new construction or rehabilitation in the HAP and demonstrate that suitable sites are available. The local government would have the option to select specific sites if the present owner agrees to sell at a set price to the chosen developer (or HUD if option A is in operation) and the site meets HUD criteria (same as preselection the process HUD uses now). If the local agency prefers not to select sites, HUD would do the selecting in the general locations indicated in the HAP. If because of local action (e.g., zoning) there are no feasible sites in the areas indicated in the HAP, this would be grounds for rejection of the locality's Block Grant application.

5. Developer selection should be by bid process following selection of the site. The local government would assist in setting the design criteria, and the fair market rents could be adjusted for any special criteria before beginning the bid process.
6. Current tax credits/write offs for assisted development and rehabilitation must be retained in order to attract investors.
7. HUD should be reorganized in several ways:
 - A. There should be only full service offices so that all business can be coordinated.
 - B. Housing review people should be grouped into teams rather than divisions, and one team member must be responsible for each proposal throughout processing. The teams should cover all aspects of processing and the same team should be responsible for all proposals within a given geographic area.
 - C. Time limits should be set on each phase of HUD processing such that if a developer does not receive notification by a set date that aspect of the proposal is automatically approved. Likewise, if a developer misses a submission date, automatic disapproval should result.
8. Rehabilitation could operate similarly to the new construction process described here. HUD would purchase the building, rehabilitate it by bid process and then sell it with a rent subsidy contract attached. (Some housing authorities use a similar process now for assisted buildings). The fair market rents would be set after the rehabilitation work is done and then bids would be requested from prospective owners based on their management plan, experience, etc.

Short of this new rehabilitation process, improvements, to the current program would include hard cost estimates not being required until the final proposal rather than at the beginning of the process, HUD encouragement of rehabilitation on a large scale, and liberalized lending for rehabilitation.

9. Relocation should be required and paid for in the rehabilitation program.
10. Better allowance should be made for maintenance and repair costs, particularly for family and large family units.

Section 8 "Existing"

1. In order to alleviate the problems of maintenance and tenants' inability to find units through the Section 8 program, a program closer to its predecessor, Section 23 would be used. In Section 23 the housing authority leased the units and, in effect, subleased them to qualified tenants. Tenants would still have the option to find their own units under the program. The differences from the old Section 23 program should be that the subsidy would go with the tenant rather than the unit(as it does in Section 8), and annual rent adjustments to compensate for the increased costs would be allowed (as they are in Section 8).

Short of using a program more like Section 23, Section 8 should be modified to:

- A. Allow housing authorities greater involvement in assisting tenants to find units and should receive administrative fees sufficient to support these efforts.
- B. Expand the repair and maintenance provisions so that owners would be more encouraged to participate in the program, particularly with respect to families with children.
2. If such a program with more housing authority involvement is used, limits should be placed to insure that the authority does not steer all tenants to a few neighborhoods or buildings. Thus the percent of units in any census tract which can be used in the program should be limited. These limits could be graduated and should not apply below a certain minimum number of total units in the program. Higher income census tracts could be allowed a higher maximum percent of assisted units.
3. Fair Market Rents should be set based on market analysis. They should be set by local market area, defined as that area within which the rents on comparable buildings do not vary by more than 15 percent. Currently, they are set by SMSA,* which in this region covers widely disparate housing markets and rent ranges. The same board or type of board suggested for new construction could set FMR's for the existing program. This more localized method of setting rents will allow more freedom of movement than the current method does. If a local agency determines that rents are set too low for a feasible program in their area, the rents should be raised unless HUD can prove the current rent limits are fair.
4. The "shoppers incentive credit" should be eliminated, as it is a disincentive to move and produces excessive paperwork compared to savings.
5. Units should be assigned to each housing agency based on a fair share plan, so that low income households in each jurisdiction can have an equal chance of receiving assistance and to avoid overimpacting any area. Certificates which allow tenants to participate should then simply be traded among local housing authorities when a tenant certified in one jurisdiction finds a unit in another.

6. Paper work should be simplified.

* SMSA is Standard Metropolitan Statistical Area. In the SCAG Region they are: Los Angeles County; Orange County; Riverside and San Bernardino Counties; and Ventura County. Imperial County is called a "non-metropolitan" area.

Homeowners Programs

The major homeowners program currently in operation is Section 235 which is essentially an FHA insured mortgage with an interest rate subsidy paid to the lender on behalf of a moderate income homeowners. Problems with the program are that the mortgage limits are so low that a great deal of local effort and funding (or special circumstances) is usually necessary to produce new units that are eligible for the program. Once units are produced at these low prices, the potential for speculation is enormous (Section 235 units in Irvine sold to the original owners for \$35,000 less than one year ago are now being resold for \$70,000.). There are no speculation controls built into the program.

A better program would have low and moderate income households enter the program as assisted renters and build up equity through their rent over a certain minimum time period. Then a public agency or non profit corporation should have a second mortgage, right of first refusal or other mechanism to protect against speculation. The minimum length of residence in itself should also reduce the speculation problem, as would the fact that the units would be market rate units, rather than specially priced units.

Section 8 can also be used for homeownership via cooperatives. The local programs component of the Implementation Plan describes use of federal programs for cooperatives. Los Angeles could be a national model for this program through Section 8, and HUD should encourage similar efforts elsewhere.

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